

**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

file

Facsimile Message Cover Sheet

Date:	December 12, 1997		
To:	Mr. Patrick Hylton Financial Institution Services Limited		
Fax Number:	(876) 929-1123	Location:	
No. of Pages:	16 (including cover sheet)	Client #:	

This transmission should not be read by, or delivered to, anyone other than the person to whom it is addressed. It may contain privileged or confidential information. If you have received this transmission in error or have any transmission problems, please call us immediately (collect if necessary). Thank you.

From:	Todd Shoalts	Telephone:	(416) 777-2458
-------	--------------	------------	----------------

Message:

Please see attached.



**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Todd Shoalts

Direct: (416) 777-2458

December 12, 1997

PRIVATE & CONFIDENTIAL

Mr. Lloyd Wiggan
Chief Executive Officer
Eagle Banking Group
20-22 Trinidad Terrace
Kingston 5
Jamaica

Tedd Avey CA, CFA, CFE
Robert Macdonald CA, CFE
Tod Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CFP, CBV
Brian Crockett CA, CFE
Hazel de Burch CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Jim Szarka MBA, CFE

John Beer BA
Wayne Blackburn BA, CFE
Stephanie Collins ACA
Penny Cookson BSc, CA, CFE
Dave Horner BComm, CFE
Nancy Howe CA, CFP, CFE
Ajay Jurnarkar MAcc, CA
Jane McFarlane ACA, CA, CFE
Jayesh Patel ACCA, CA, CFE
Jennifer Perry CA
Bonnie Prusky BBA
Michael Rudanycz CA
Virginia Scott CA
Joanne Shatka CA, CFE
Glenn Stadtegger LLB, CA
Peter Stegix CA, CBV, CFE
Alan Stewart CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Dear Mr. Wiggan:

RENOVATIONS TO 24 -26 GRENADA CRESCENT

We are setting out in this letter our findings related to our review of the issues surrounding the renovations at 24-26 Grenada Crescent. Certain areas of the building were leased by Eagle Merchant Bank ("EMB") from Ajax Investments Limited ("Ajax"). We understand that Ajax is beneficially owned by Dr. Paul Chen-Young ("PCY"), the former Executive Chairman of EMB.

In reviewing and assessing the costs incurred by EMB at 24-26 Grenada Crescent, the main issues to be addressed are as follows:

- EMB's liability, if any, to the Contractor, Architect and Furniture Supplier related to work performed at 24-26 Grenada Crescent for which payment has not been made;
- Potential claims which may exist:
 - against PCY and/or Ajax related to costs incurred by EMB which should have been borne by Ajax; and
 - by Ajax against EMB for costs which have not been incurred by EMB which may now be borne by Ajax

BACKGROUND

Lease Between EMB & Ajax

Ajax owns the building at 24-26 Grenada Crescent and leased the first, and second and third floors to EMB under two separate leases dated June 23, 1995 and May 22, 1992 (revised in 1994), respectively. During the final year of the lease, the annual rent totalled \$2,137,000 for the first floor and \$4,461,600 for the second and third floors. The leases expired on November 30, 1997 and EMB has vacated the premises. We note that the ground floor and staircase do not appear to have been leased by EMB from Ajax.

In July 1995 EMB began renovations on 24-26 Grenada Crescent. We are not aware as to the condition of the building prior to the renovations or why the decision was made to renovate. Based on our review, the leases appear to be silent on whether the landlord or tenant will be responsible for paying for renovations or leasehold improvements to the building. The leases note that Ajax has to approve all "disturbances" to the building. Clause 2(w) of the leases indicate that "At the determination of the Lease... [tenant will] deliver vacant possession of the leased premises to the Lessor...in the same good and substantial order, preservation and condition as they were at the commencement date..."

Renovations to 24 - 26 Grenada Crescent

On July 4, 1995 the EMB Board of Directors approved the renovations to be carried out on the ground floor, first floor and third floor at 24-26 Grenada Crescent totalling approximately \$14.7 million (likely construction costs only). It appears that after this initial approval, the Board did not specifically approve the total actual amounts spent on 24 - 26 Grenada Crescent.

Mr. Norman Lai of Crown Eagle Life informed us that Goldson, Barrett, Johnson ("GBJ"), Quantity Surveyors, reviewed and approved the initial cost estimates provided by the Architect, Edward Young Associates ("EYA"); however, GBJ did not provide any continuing services to EYA or EMB in reviewing or assessing invoices submitted by the Contractor, E. B Young Limited ("EB Young") or EYA. GBJ's role was confirmed to us by Mr. Brian Goldson of GBJ.

We note that Brian Goldson was a past director of EMB and was a shareholder of Eagle Holdings and Investments Limited. Regarding any past awareness that PCY had of EB Young, we understand that EB Young was the Contractor who built the new building partially leased by Eagle Commercial Bank located in New Kingston.



We also note that EB Young and EYA are related companies that have the same Principals and operate out of the same offices.

The total estimated cost of the renovations was approximately \$72.9 million, including architectural fees and systems furniture as follows (Schedule 1):

Construction	E.B. Young Limited	\$47,911,014
Architect	Edward Young Associates	4,679,074
Furniture	Keith Ryan & Company	<u>20,278,630</u>
		<u>\$72,868,718</u>

The renovation costs exceeded the estimated costs reviewed by GBJ by \$9.1 million. As of the date of this letter, \$61 million has been paid to EB Young, EYA and Keith Ryan & Company ("KRC"), the Furniture Supplier, including \$12.4 million for the ground floor and staircase. We note that there were no contracts between EMB and EB Young or EYA.

Current Status of the Renovations

We note that on March 11, 1997, the day before FINSAC assumed ownership of the Eagle Financial Entities, a Special EMB Board of Directors meeting was held. The attendees at the meeting included PCY and are set out in Appendix A. At this meeting, amongst other topics, it was proposed that EMB surrender the option to renew the lease for a six-year term, effective from December 1, 1997 forward, for the second and third floors. The Board commented that "they had not been aware of all the terms of the lease". The Board also noted that the "option to renew carried a value" and that any Agreement with Ajax should include, amongst other things, acknowledgment that the partitions and fixtures would remain in place in return for a reduction in the rental of the first floor by \$1 million, and rent free occupation of the second and third floors from April to September 1997. Keith Senior of EMB informed us that this Agreement was never formalized and EMB paid rent to Ajax for the second and third floors from April to September 1997. We note that EMB apparently paid rent totalling approximately \$2,231,000 for the second and third floors and \$1,069,000 for the first floor during this period. We have not yet attempted to verify the actual amounts paid to Ajax.

On March 12, 1997 EB Young was instructed by EYA to stop work on the project. At that point, work on the first and third floors was complete and work was incomplete on the second floor and ground floor/staircase. Claims were submitted to EMB totalling \$8.3 million for outstanding work as follows: E. B Young \$4.1 million, EYA



\$1.5 million and KRC \$2.7 million (Schedule 1). No monies have yet been paid by EMB.

We were informed that EMB recently wrote off the remaining net book value of leasehold improvements for 24-26 Grenada Crescent totalling approximately \$53.2 million. EMB will receive no continuing benefits from these renovation expenditures after the expiry of the leases on November 30, 1997. However, Ajax has received significant benefits related to the value of leasehold improvements and since EMB apparently gave up the lease renewal option for no consideration.

SUMMARY OF FINDINGS

Based on the results of our review and analysis, we have concluded that:

- Regarding 24 - 26 Grenada Crescent, PCY was, at minimum, in a conflict of interest in his role as Executive Chairman of EMB and as beneficial owner of Ajax. This conflict of interest was apparently not declared to the Board and he did not abstain from any Board discussions regarding the renovations;
- As a possible strategy, FINSAC may want to consider not paying any amounts to EB Young, EYA or KRC related to the 24 - 26 Grenada Crescent renovations as Ajax has earned a benefit of at least \$53.2 million (i.e. value of leasehold improvements written off) for no consideration and no contracts have been entered into with EYA and EB Young. It could also be argued that the entire \$60.7 million spent to date by EMB (Schedule 1) was incurred to the detriment of EMB, without full and complete disclosure to, or discussion by, the EMB Board, and should be recovered from Ajax. However, FINSAC should have Myers, Fletcher and Gordon further study this issue and address FINSAC's obligations, if any, to Ajax under the lease;
- Potential Claims Against Ajax and/or EB Young:

1) Ground Floor/Staircase	\$11,581,132
2) Cost Overruns on First and Third Floors	7,915,783
3) Rent for Second and Third Floors	<u>3,300,000</u>
	<u>\$22,796,915</u>

- 1) EMB has no lease for the ground floor and staircase and yet has paid \$11.58 million for renovations in these areas. These renovations represent an improvement to the premises that EMB should not be obligated to pay for. Ajax will benefit from these improvements in the



future since the renovations carried out by EMB have created leaseable space that did not exist prior to 1995. We recommend that these renovation expenditures totalling \$11.58 million should be reimbursed by Ajax;

- 2) EMB should request supporting details from EB Young related to the cost overrun of \$7.9 million incurred on the first and third floors. This amount has apparently already been paid to EB Young. EMB may want to pursue a claim against EB Young for all, or a portion, of this amount;
 - 3) It appears that EMB did not formally relinquish their option to renew the lease for a six year term for the second and third floors. At the EMB Board of Directors meeting on March 11, 1997, the Board appears to have set a value of approximately \$3.3 million for this lease option as this is the amount that the Board asked to receive in return for relinquishing the option. We understand that EMB did not receive these monies, either directly or indirectly in the form of reduced rent for 24-26 Grenada Crescent. We recommend that EMB submit a claim against Ajax for up to \$3.3 million;
- We have reviewed and analyzed the claims submitted to EMB and have assessed EMB's liability in the event that a decision is made to pay any monies to the claimants. Regarding the total claim of \$8.3 million submitted, EMB may have the following liabilities (Schedule 1):

Potential Liabilities

1) E.B. Young Limited	\$975,809	
1) Edward Young Associates	<u>1,124,689</u>	\$2,100,498
2) Keith Ryan & Company		2,716,083
3) Unvalidated Claim		
E.B. Young Limited	3,121,424	
Edward Young Associates	<u>410,381</u>	<u>3,531,805</u>
		<u>\$8,345,386</u>

- 1) an obligation totalling \$2.1 million to EB Young and EYA for work performed on the ground floor/staircase and second floor (Schedule 1). This amount reflects a reduction of \$538,000 related to the "attendance" fee already paid to EB Young related to the installation of the first floor



furniture. Any amounts paid to EB Young or EYA related to the ground floor/staircase should be reimbursed by Ajax;

- 2) an obligation totalling \$2.72 million to KRC for systems furniture for the ground floor/staircase and second floor (Schedule 1). However, since the second floor furniture has not yet been delivered to EMB by KRC, we recommend that the furniture be inspected and KRC should be instructed to sell the furniture held with any proceeds received reducing EMB's liability to KRC. Although the furniture is new, we expect that its net disposal proceeds may be minimal;
 - 3) The remaining claim totalling \$3.5 million by EB Young and EYA (Schedule 1) should not be paid by EMB since there is no underlying contract with either EB Young or EYA and the costs incurred were in excess of estimated construction amounts reviewed by GBJ;
- EMB may also want to reduce any amounts to be paid to EYA by an additional \$319,691 related to fees charged on a portion of the cost overrun for the third floor, as cost overruns were not used as the basis to calculate Architectural fees for work on any other floor;
 - There are many inconsistencies in the fees charged to EMB by EB Young and EYA related to the applicability of architectural fees to cost overruns and systems furniture to "attendance" fees for systems furniture installations. The fees to be charged by EB Young or EYA were not defined in a contract with EMB;
 - Although PCY and/or Ajax will likely claim that EMB is obligated to complete or pay to complete renovations on the second floor and ground floor/staircase, EMB should seek legal advice as to the strength of Ajax's claim, especially in light of the renovations completed by EMB on the ground floor/staircase which EMB did not lease from Ajax; and
 - In the event that EMB is obligated to complete the second floor we note that this would not necessarily be to the "standard" designed and estimated by EYA. EMB should retain a Quantity Surveyor to review the extent of the renovations completed and estimate the costs to complete the second floor to a minimum finished standard.



GROUND FLOOR/STAIRCASE

The renovations on the ground floor/staircase are approximately 90% complete. To date, EMB has apparently spent \$12.4 million on renovations and systems furniture for the Ground Floor/Staircase. The actual costs that were to be incurred for the construction and the outstanding claim are as follows:

	<u>Total Costs</u>	<u>Costs Claimed</u>
EB Young, Contractor	\$13,096,102	\$2,458,882
EYA, Architect	931,785	264,185
KRC, Furniture	<u>976,837</u>	<u>185,267</u>
	<u>\$15,004,724</u>	<u>\$2,908,334</u>

A memo from Norman Lai to PCY on June 13, 1996 indicated that the revised estimates submitted by EYA were \$12.4 million. The actual cost for these renovations was \$13.1 million, inclusive of a cost variation of \$672,000. This cost overrun was not reviewed or approved by GBJ.

Claims by EB Young, Contractor

EB Young has claimed that EMB has a remaining liability of \$2,458,882 related to work completed on the ground floor, including a loss of profit and expense claim of \$271,926. The lost profit and expense claim is made under clauses 21 and 24 of the standard JCC construction contract; however, EB Young and EMB did not enter into a construction contract. However, a Kingston based Architect informed us that in the absence of a contract, the dealings between client, contractor and Architect may still be governed by the terms of the standard JCC contract.

EB Young has claimed that they incurred two weeks of overhead costs totalling \$131,000 after the cancellation of the contract and that their lost profit on the remaining work that was not done totalled \$140,926 calculated at a profit rate of 20%. EB Young has not provided any supporting documentation to verify any of this information (i.e. were overhead costs actually incurred as represented). We recommend that EB Young's claim be reduced by the amount of the lost profit and expense claim totalling \$271,926 and the cost overrun totalling \$672,303 that was not approved by GBJ.



Claims by EYA, Architect

Architectural fees totalling \$931,785 billed by EYA were calculated as 7.5% of construction costs, excluding systems furniture. EMB has a remaining unpaid liability of \$264,185 to EYA. We note that EYA did not charge an architectural fee related to the cost overrun.

Claims by KRC, Furniture Supplier

EMB purchased systems furniture totalling \$976,837 from KRC, of which \$791,570 apparently was paid. EMB has a remaining liability of \$185,267. We recommend that this amount be paid by EMB.

Mr. Lai informed us that prior to the renovations, the ground floor had no office space and was used primarily for parking. The renovations resulted in the creation of office space, kitchen facilities and storage space on the ground floor which EMB apparently used on a rent free basis. Nevertheless, EMB paid for the above noted renovation expenditures for which they appear to have had no obligation to pay for. We also note that in our November 28, 1997 conversation with Cynthia Brown, assistant to PCY, she informed us that EMB did not lease the ground floor from Ajax.

SECOND FLOOR

The renovations on the second floor are approximately 70% complete. To date, EMB has apparently spent \$8.14 million on renovations and systems furniture for the Second Floor. The actual costs that were to be incurred for the construction and the outstanding claim are as follows (Schedule 1):

	<u>Total Costs</u>	<u>Costs Claimed</u>
EB Young, Contractor	\$11,013,451	\$1,638,351
EYA, Architect	1,186,860	1,270,885
KRC, Furniture	<u>5,505,260</u>	<u>2,530,816</u>
	<u>\$17,705,571</u>	<u>\$5,440,052</u>

GBJ wrote to Rachel Saulter of EMB - Special Projects on April 8, 1997 and indicated that the agreed costs submitted by EYA were \$10,538,094. The actual costs for second floor renovations were \$11.0 million, inclusive of a cost variation of \$475,000. The cost variation was not reviewed or approved by GBJ.



Claims by EB Young, Contractor

EB Young has claimed that EMB has a remaining liability of \$1,638,351 related to work completed on the second floor, including a loss of profit and expense claim of \$1,163,949. The lost profit and expense claim is made under clauses 21 and 24 of the standard JCC construction contract; however, EB Young and EMB did not enter into a construction contract with EMB. However, a Kingston based Architect informed us that in the absence of a contract, the dealings between client, contractor and Architect may still be governed by the terms of the standard JCC contract.

EB Young has claimed that they incurred two months of overhead costs totalling \$380,000 after the cancellation of the contract and that their lost profit on their remaining work that was not done totalled \$783,949 calculated at a profit rate of 20%. EB Young has not provided any supporting documentation to verify any of this information (i.e., were overhead costs actually incurred as represented). We recommend that EB Young's claim be reduced by the amount of the lost profit and expense claim totalling \$1,163,949 and the cost overrun totalling \$475,357 that was not approved by GBJ.

Claims by EYA, Architect

Architectural fees totalling \$1,270,885 were billed by EYA calculated as 7.5% of construction and system furniture costs. We understand that in some circumstances architectural fees are charged related to the design and installation of systems furniture. We note that EYA did not charge an architectural fee on the cost overrun amount of \$475,357. However, we would recommend that EYA should not receive an architectural fee totalling \$410,381 relating to furniture that was not installed. We recommend that EYA's outstanding claim should be reduced to \$860,504.

Claim by KRC, Furniture Supplier

We understand that systems furniture for the second floor ordered from KRC was designed to EMB specifications. We understand that this furniture is currently in the possession of KRC and there is an outstanding liability of \$2.53 million. However, the furniture should be inspected to verify its existence and condition. It appears that EMB may have a liability for this furniture since a downpayment of \$2.97 million was apparently made in January 1997 and the furniture was custom built to meet EMB's needs. KRC has indicated that they could attempt a forced sale of this furniture. We recommend that KRC be authorized to proceed on this basis. EMB will then be liable to KRC for any amounts still owing to KRC after deducting



the sale proceeds. However, we expect that although this furniture is new, it will have a minimal disposal value.

FIRST FLOOR

The renovations on the first floor are complete. EMB apparently spent \$14.2 million on renovations and systems furniture for the First Floor, as follows:

EB Young, Contractor	\$6,397,268
EYA, Architect	901,044
KRC, Furniture	<u>6,932,794</u>
	<u>\$14,231,106</u>

GBJ wrote to Rachel Sauter of EMB - Special Projects of EMB on July 20, 1995 and indicated that the cost estimate submitted by EYA of \$4,886,828 was "reasonable and acceptable". We note the actual construction costs paid to EB Young of \$6,397,268 (as summarized by Mr. Norman Lai) appear to include a cost overrun of \$1.5 million which was not reviewed or approved by GBJ. Architectural fees totalling \$901,044 paid to EYA were calculated as 7.5% of construction and system furniture costs. We understand that in some circumstances architectural fees are charged related to the design and installation of systems furniture. We note that EYA did not charge an architectural fee on the cost overrun amount of \$1.5 million.

In addition, we note that EB Young received a 7.5% "attendance" fee totalling \$537,889 related to the KRC systems furniture installation. It is unreasonable that EYA and EB Young should each receive a 7.5% fee related to the installation of systems furniture. This would appear to be double counting and we recommend that this amount should be recovered from EB Young.

THIRD FLOOR

The renovations on the third floor are complete. EMB apparently spent \$25.93 million on renovations and systems furniture for the Third Floor, as follows:

EB Young, Contractor	\$17,404,193
EYA, Architect	1,659,385
KRC, Furniture	<u>6,863,739</u>
	<u>\$25,927,317</u>



GBJ wrote to Rachel Saulter of EMB - Special Projects on December 19, 1995 and indicated that the construction cost estimate submitted by EYA of \$10,998,850 was in order. The actual construction costs paid to EB Young totalling \$17,404,193 (as summarized by Mr. Norman Lai), include an apparent cost overrun of \$6,405,343. The cost overrun was not reviewed or approved by GBJ. These costs included approximately \$3.3 million for overtime incurred by EB Young for an "agreed acceleration program". These cost overruns were communicated to EMB by EYA but no supporting documentation was provided.

Architectural fees totalling \$1,659,385 paid to EYA were calculated as 7.5% of construction and system furniture costs. As indicated earlier, we understand that in some circumstances architectural fees are charged related to the design and installation of systems furniture. We note that EYA charged an architectural fee of approximately \$320,000 related to a portion of the cost overrun (approximately \$4.3 million) contrary to their billing practices for the first, second or ground floors where architectural fees were not charged related to cost overruns.

OUTSTANDING WORK

We would also like to complete the following additional work:

- review the title search for 24 - 26 Grenada Crescent, confirming the ownership history of the property;
- follow-up with Pam Phillips, former internal counsel for the Eagle Group, regarding the proposed transfer of ownership of 24 - 26 Grenada Crescent to Crown Eagle Life and determine why this did not occur;
- review all original paid cheques issued to EB Young, EYA and KRC to determine who authorized the payments, who signed the cheques and confirm the amounts actually paid to the above-noted parties. This will also serve to verify the amount of the cost overruns;
- confirm the amount of rent paid by EMB to Ajax during the period April to September 1997;
- inspect the furniture located at KRC to verify its existence and condition. We would also like to obtain documentation from KRC concerning the payments, if any, made by them to Steelcase and determine whether or not the furniture could be returned to the manufacturer;



Page 12
Mr. Lloyd Wiggan
December 12, 1997

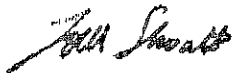
- conduct interviews with representatives of GBJ, EYA, EB Young and KRC to determine the nature and extent of the past, if any, relationship with PCY and the terms of their engagement to perform services at 24 - 26 Grenada Crescent;
- interview the EMB Board members (as noted on Appendix A), including Geoffrey Messado, Daisy Coke, Senator Harding, Dr. Lascelles Chen-Young and PCY; and
- interview Rachel Saulter, formerly of EMB - Special Projects to confirm her role.

We will seek your direction as to the timing, or the priority, of the completion of the above-noted procedures.

We will update our findings, as appropriate, when this follow-up is complete. I trust that this information is of assistance to you. If you have any questions, please call me at my direct line in Toronto at (416) 777-2458 or Peter McFarlane at 777-2464.

Yours truly,

LINDQUIST AVEY MACDONALD BASKERVILLE INC.



Per: Todd Shoalts, CA
Principal

Encl.

cc. Messrs. Patrick Hylton and Ken Tomlinson, FINSAC
Ms. Shirley Tyndall, Financial Secretary



ANALYSIS OF RENOVATION COSTS
— COSTS OF RENOVATION PRIOR TO MARCH 1997 TO MARCH 1997

Construction
Professional Fees
Furniture

EAGLE MERCHANT BANK
24-26 GRENADA CRESCENT, KINGSTON
ANALYSIS OF RENOVATION COSTS INCURRED AND EMB'S ESTIMATED LIABILITIES
DURING THE PERIOD JULY 1995 TO MARCH 1997

Notes:

- [1] The estimated construction costs were reviewed by Goldson Barrett Johnson, Quantity Surveyors. GBJ did not review estimated Architectural fees or Systems Furniture costs.
- [2] These costs represent the estimated construction, architectural fees and systems furniture costs if the renovations would have been completed. There are no contracts with E.B. Young Limited (Contractor) and Edward Young Associates (Architect)
- [3] This amount includes \$3.3 million in labour costs for an acceleration claim for which no support was provided to EMB.
- [4] E.B. Young Associates received a fee of 7.5% related to the installation of furniture purchased from Keith Ryan.
- [5] Supporting documentation has not been provided to EMB related to construction cost variations totalling \$9.06 million. In addition, these cost overruns were not reviewed by Goldson Barrett Johnson, Quantity Surveyors.
- [6] Cost overrun of \$672,303 which was not approved and loss of profit claim of \$271,926 which is not supported.
- [7] Cost overrun of \$475,357 which was not approved and loss of profit claim of \$1,163,949 which is not supported.
- [8] This amount represents the Architectural fees of 7.5% on the second floor furniture still in the possession of KRC and not installed which should not be paid to EYA.
- [9] EMB has no lease with Ajax for the ground floor and staircase.
- [10] An "attendance" fee for furniture installation on the first floor of \$537,889 was already paid to EB Young. Since EYA also received an installation fee for this furniture, this amount should be claimed back from EB Young.
- [11] The "Amounts Claimed" includes a claim for lost profits on the value of the construction not completed. As a result, this amount does not represent the difference between "Estimated Costs" and "Amounts Paid to Date by EMB".

Appendix A

Eagle Merchant Bank Board of Directors as at June 30, 1995

Dr. Paul Chen-Young	Executive Chairman
Daisy Coke	Deputy Chairman
Brian Goldson	Director
Senator Harding	Director
George Johnson	Director
Geoffrey Messado	Director
Derrick Milling	Director
Stanley Moore	Director
Pamela Phillips	Company Secretary

Eagle Merchant Bank Board of Directors in Attendance at Special Board Meeting Dated March 11, 1997

Dr. Paul Chen-Young	Chairman
Daisy Coke	Deputy Chairman
Dr. Lascelles Chen-Young	Director
Senator Harding	Director
George Johnson	Director
Geoffrey Messado	Director
Derrick Milling	Director
<u>Also in attendance:</u>	
Trevor Deleon	Deputy Chairman, Eagle Commercial Bank
John Muirhead	Attorney-at-Law
Silbert Samough	Managing Director, Eagle Commercial Bank
Pamela Phillips	Company Secretary



8/11
2

Eagle Financial Entities

Second Interim Status Report

January 19, 1998

Eagle Financial Entities ("EFE")

Second Interim Status Report

CONTENTS

WORK COMPLETED TO DATE

A.	Bank of Jamaica Inspection Reports	1
B.	Mayberry/Mint/Mansfield US\$ Transaction Related to Fort Belle	2
C.	Fort Belle/Crowne Plaza	3
D.	Artwork	5
E.	US Based Eagle Group Companies - Eagle Interactive	6
F.	24 - 26 Grenada Crescent Renovations	7
G.	Document Inventory	8

WORK UNDERWAY

A.	EFE Share Capital Transactions	10
B.	Eagle Group Restructuring/Reorganizations	11

C.	Phoenix Trade Finance/Eagle Trade Services	12
D.	Ajax Investments Ltd.	14
E.	Transactions with Paul Chen-Young & Company ("PCYCo")	16
F.	Donovan Hunter/Cheque Kiting	16
G.	ECB Nostro (Correspondent) Bank Accounts	17
H.	Eagle Holdings and Investments	17

WORK NOT COMPLETED

A.	Superintendant of Insurance Inspection Files	18
B.	EMB US\$ Bank Account at Espirito Santo Bank of Florida	18
C.	Cayman Based Eagle Group Companies	18
D.	US Based Eagle Group Companies	18
E.	KPMG Audit Working Paper Review - Eagle Holdings and Mount Investments	19
F.	Mount Investments	19
G.	CEL Corporate Branch Review	19

EAGLE FINANCIAL ENTITIES ("EFE") SECOND INTERIM STATUS REPORT

WORK COMPLETED TO DATE

We have set out in this second interim status report the nature and extent of the work we have completed, including our significant findings to date, and the work yet to be completed. This report updates our initial interim status report dated October 2, 1997.

This report does not set out the full extent of the work that we have completed to date nor our complete findings, as we have only commented in general terms on the extent of the work completed and our significant findings. We have communicated throughout our work with representatives of FINSAC and EFE, as and when appropriate. This second interim status report will be updated with the issuance of final reports related to each of the areas noted below.

A. Bank of Jamaica Inspection Reports

1. Work Performed to Date

- a) We have reviewed the Bank of Jamaica ("BOJ") Inspection reports for Eagle Merchant Bank ("EMB"), Eagle Permanent Building Society ("EPBS") and Eagle Commercial Bank ("ECB") and the relevant correspondence files during the years 1990 to 1996 and the audited financial statements of ECB, EMB and EPBS.
- b) We have also had discussions with representatives of the Bank of Jamaica and ECB, EMB, and EPBS.

2. Issues Identified and Findings to Date

- a) The assets transferred from the EFE's to the Eagle Premium Growth Fund ("EPGF") in November 1995 were valued at approximately J\$6.2 billion. The BOJ expressed "grave concerns" with the value of these assets since they were established by EFE management.
- b) There was a generally high level of intercompany transactions, including loans, transfers of assets and purchases of share capital, between the EFE.
- c) Share capital was transferred within the EFE for little or no apparent cash consideration.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- d) Regarding the operations of EPBS, the BOJ concluded that EPBS was "controlled by and intertwined with Crown Eagle Life ("CEL"). In investing funds with CEL, EPBS "placed funds at undue and extreme risk".
- e) EMB carried out certain transactions which may be "double leveraging", whereby EMB would finance share purchases made by a related party.
- f) Although the operations of ECB were considered to be sound and satisfactory, ECB received J\$251 million in capital injections from EMB during the period 1990 to 1996. Of these, J\$96 million were injected just prior to December 31, 1992, when the Banking Act and Financial Institutions Act (1992) came into effect.
- g) From 1993 forward, BOJ identified that EMB had committed numerous statutory violations including the extent of loans to related parties, accrual of interest on non-performing loans, and the acquisition of foreign assets.

3. Outstanding Work to be Performed

- a) Lindquist Avey will prepare a report of our findings in this matter by January 31, 1998.

B. Mayberry/Mint/Mansfield US\$ Transaction Related to Fort Belle

1. Work Performed to Date

- a) We reviewed the paid cheques and cost records related to Fort Belle/Crowne Plaza.
- b) We have made inquiries of representatives of Stoppi Cairney Bloomfield ("Stoppi"), Mayberry Investments, and the International Department of ECB.

2. Issues Identified and Findings to Date

- a) A payment of J\$10,025,000 (US\$250,000) was made in March 1996 to Mayberry Investments and recorded as a cost of the Fort Belle/Crowne Plaza project.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- i) Mayberry Investments advised FINSAC that they had no knowledge of the transaction.
 - b) There are procedural irregularities regarding the manner in which the transaction was undertaken. The cheque for J\$10,025,000 payable to Mayberry Investments was exchanged for two ECB Manager's cheques payable to Mint Investment Limited (J\$2,005,000) and Mansfield Enterprises Limited (J\$8,020,000) rather than being cancelled.
 - c) Receipt of the funds by CFC was not reflected on Payment Certificates prepared by Stoppi Cairney Bloomfield until August 1996. These were then recorded over the period August 1996 to July 1997.
 - d) We were advised that the provision of the US currency to CFC and the deferral of the recording of receipt of funds on the Payment Certificates was authorized by Dr. Paul Chen -Young ("PCY").
3. Outstanding Work to be Performed
- a) Lindquist Avey will prepare a report of our findings in this matter by January 31, 1998.
 - b) We are still awaiting replies to our queries from Stoppi Cairney Bloomfield and Mayberry Investments.

C. Fort Belle/Crowne Plaza

1. Work Performed to Date

- a) We have reviewed the expenditures incurred related to Fort Belle, including CEL's construction contract with CFC, purchase invoices and accounting summaries prepared by CEL and FINSAC.
- b) We have also visited the site and had discussions with Norman Lai and representatives of Stoppi Cairney Bloomfield, APEC Consultants, and Alston Stewart (former Construction Manager).

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

2. Issues Identified and Findings to Date

- a) As at June 30, 1997, CEL spent approximately J\$1.5 billion to construct Fort Belle. Approximately J\$855 million was paid for construction and professional fees, including J\$775 million paid to CFC.
 - i) The original budgeted cost for the project, as a residential apartment development was J\$125 million.
- b) In May 1996, US\$2.3 million was lent to CEL by the NDB/CNB Consortium to be utilized for the "construction and development of Fort Belle".
 - i) CEL transferred these funds to EMB's bank account at Espirito Santo Bank of Florida to apparently offset a loss of approximately US\$3.56 million related to the sale of 163,000 IBM shares by Eagle Holdings Cayman Limited in January 1996.
- c) CEL has withheld J\$7 million of retention monies from CFC under the contract. These retention monies are understated and insufficient to offset against CEL's affirmative claims against CFC.
- d) CFC has an outstanding claim of J\$40 to J\$50 million against CEL for additional costs and acceleration of work performed. Stoppi is apparently negotiating directly with CFC to resolve these issues; however, Stoppi may be in a conflict of interest position as they are currently working with CFC on a hotel project in Runaway Bay.
- e) The following payments by CEL to related parties have been identified to date:
 - i) US\$1.5 million paid to Phoenix Trade Services for construction materials (see Work Underway, section F);
 - ii) J\$10.6 million paid to Mrs. Dorit Hutson for consulting services;
 - iii) J\$3.4 million to Ajax Investments for consulting services;

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- iv) J\$2.7 million to Hamr Enterprises, a company located in Florida operated by Bruce Hutson; and
- v) J\$274,000 for the purchase of furniture for Penthouse #3, the penthouse unit to be owned by PCY.

3. Outstanding Work to be Performed

- a) Lindquist Avey will prepare a report of our findings in this matter by February 3, 1998.
- b) Approximately J\$775 million has been paid to the Contractor, CFC. In order to determine how CFC used these monies Lindquist Avey will require access to CFC's books and records.
 - i) This issue is still to be resolved as legal advice will likely be required to determine whether CEL or FINSAC has a right of access to CFC's books and records.
- c) We understand that a J\$40 to J\$50 million construction claim has been presented to CFC by CEL. Norman Lai is in the process of preparing a claim against CFC for incomplete and defective work.
 - i) The assistance of Lindquist Avey related to the resolution of the claim or counterclaim is still to be resolved.

D. Artwork

1. Work Performed to Date

- a) We have reviewed EMB files related to artwork purchased by EMB.
- b) We prepared a videotape of the artwork located at EMB and have had various discussions with Mrs. Bernal.

2. Issues Identified and Findings to Date

- a) EMB purchased approximately J\$27 million of artwork
 - i) We have agreed approximately 80% of this amount to purchase invoices and/or cheque requisitions indicating that artwork was

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

purchased by EMB.

- b) These purchases included J\$15.5 million (US\$475,000) paid to Nicot Trading Ltd. in March 1995 for artwork apparently previously owned by PCY
 - i) Nicot Trading is an affiliated company to Phoenix Trade Services based in the Cayman Islands.
- c) A significant portion of the artwork owned by EMB may still be in the possession of PCY, at his residence at Penthouse #3, Manor Court Apartments or at the offices of Paul Chen Young & Associates ("PCYA")
 - i) This includes approximately 30 pieces of artwork removed from a rental space at Spanish Court by Mrs. Dorit Hutson on September 17, 1997. The rental space was leased by EMB.
- d) Mrs. Margaret Bernal was retained by FINSAC to identify, inventory, and value the artwork owned by EMB. This exercise has not been completed but it appears that the majority of artwork owned by EMB is not in the possession of the EFE.

3. Outstanding Work to be Performed

- a) The work of Mrs. Bernal is still to be completed, including meeting with Dorit Hutson.
- b) Lindquist Avey will prepare a report of our findings in this matter by February 6, 1998.

E. US Based Eagle Group Companies - Eagle Interactive

1. Work Performed to Date

- a) Lindquist Avey completed a report in November 1997.

2. Issues Identified and Findings to Date

- a) EMB paid US\$425,000 to Eagle Engineering of Atlanta, Georgia in August, 1994 related to the acquisition of interactive television licenses ("TVDS") in the United States. US\$100,000 was apparently repaid to EMB.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- b) EMB has not received further repayments from Eagle Engineering or a related company, Eagle Interactive ("EI"). US\$325,000 currently remains outstanding and no interest has been paid. A debenture totalling J\$11,021,000 due from Eagle Engineering was written off by EMB in the year ended June 30, 1996;
 - c) 15 IVDS licenses were apparently purchased by EI utilizing funds advanced by EMB. We are not aware as to the current status of EI or these IVDS licenses, in terms of current ownership or value. The IVDS licenses may have been sold to WINCOM Corporation, a US public company;
 - d) There is no apparent connection between PCY and the principals of EI and Eagle Engineering, Phillip Tullis and Dennis Henry (principals of Eagle Interactive), or the EFE in Jamaica and the Eagle Group of companies operated by Messrs Tullis and Henry from Atlanta, Georgia.
 - e) In December, 1994 EMB retained Holland & Knight, Attorneys of Atlanta, Georgia to attempt collection of monies owed by Eagle Engineering. Although a statement of claim has been filed in Georgia against Phillip Tullis, Eagle Capital, Eagle Engineering and EI, no collection has resulted.
3. Outstanding Work to be Performed
- a) Lindquist Avey is awaiting direction from FINSAC as to whether further work should be completed to determine if these monies can be recovered.

F. 24-26 Grenada Crescent Renovations

1. Work Performed to Date

- a) Lindquist Avey completed a report in December 1997.
- b) We have also inventoried the furniture EMB purchased from Keith Ryan & Company ("KRC") for the second floor of EMB's former premises.

2. Issues Identified and Findings to Date

- a) There may be potential claims against Ajax Investments, the owner of 24-26 Grenada Crescent, totalling up to J\$22.8 million, primarily due to

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

unsubstantiated cost overruns already paid for by EMB and renovations completed on the ground floor which was not leased by EMB.

b) Of the total construction claim of J\$8.3 million submitted to EMB, EMB may have estimated obligations totalling approximately \$4.7 million to KRC (furniture), E.B. Young Limited (contractor) and Edward Young Associates (architect).

i) The second floor furniture purchased from KRC may be sold for as much as 60% of its J\$2.7 million cost.

c) Subject to receiving appropriate legal advice, EMB should not pay any monies to Ajax related to the completion of the second floor construction.

i) EMB has already spent J\$11.6 million on renovations completed on the ground floor/staircase which was not leased by EMB.

3. Outstanding Work to be Performed

a) Lindquist Avey has been asked by Mr. Lloyd Wiggan to assist in negotiations with Edward Young (contractor and architect) and Keith Ryan (furniture) to resolve the construction claims.

G. Document Inventory

1. Work Performed to Date

a) Lindquist Avey has completed a database of those documents formerly located at the old EMB premises and for the EFE legal files located at CEL.

i) The contents of approximately 25 filing cabinets and in excess of 550 boxes of documents have been inventoried

ii) A copy of this document inventory has been provided to FINSAC.

2. Issues Identified and Findings to Date

a) Approximately three filing cabinets and two boxes of documents that had been moved to FINSAC from the former premises of EMB were obtained by PCY in December 1997.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- i) At the time these documents were moved to FINSAC, we inventoried them and recommended that they be reviewed before any documents were released to PCY.
- ii) Many of these documents relate to companies purchased by FINSAC and do not relate to PCY or any of his business entities. As a result, these documents should be returned to FINSAC.
- b) We have identified numerous documents related to those topics listed under "Work Underway" or "Work Not Completed" which are still to be reviewed.

3. Outstanding Work to be Performed

- a) An inventory of the documents located at the Norman Road storage facility has not been prepared. We recommend that this be completed given the significant number of documents located there and since it will be of use to FINSAC and Lindquist Avey in the future.
- b) FINSAC is communicating with PCY to discuss the return of those documents removed from FINSAC's offices.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

WORK UNDERWAY

A. EFE Share Capital Transactions

1. Work Performed to Date

- a) Lindquist Avey is reviewing the significant share capital transactions carried out by the EFE in order to obtain supporting documentation and determine if the transactions were carried out and recorded appropriately.

2. Issues Identified and Findings to Date

- a) Our concern is that the significant share capital transactions were "circular" in nature and may have involved no investment of monies in the various EFE
- b) The transactions being reviewed in further detail include:
 - i) December 1992 - Sale of EMB's 49% interest in ECB to CEL for J\$220.5 million
 - CEL had no cash to finance the transaction so EMB financed it via a \$240 million demand loan to CEL
 - EMB recorded a capital gain of J\$167.7 million on this transaction
 - In fiscal 1993, EMB then transferred J\$216.8 million to reserve funds
 - In 1995, this ECB shareholding was repurchased by EMB at the same value
 - ii) April 1994 - EMB invested J\$335 million in 1 million CEL preferred shares.
 - The BOJ described this as a "legal but imprudent practice"
 - iii) June 1994 - EMB issued \$182.4 million of "A" ordinary shares to CEL
 - iv) June 1994 - EMB purchased J\$75 million of ECB shares at a premium of \$2 per share

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- v) December 1994 - J\$650 million mortgage from EPBS to CEL regarding Fort Belle and other properties
 - In December 1995, the mortgage was apparently repaid by reducing EPBS's indebtedness to CEL
 - vi) December 1994 - CEL's sale of 84.45 million Carib Cement shares under a Declaration of Trust agreement to EPBS
 - The total cost of \$506.7 million was satisfied by an equivalent reduction of CEL's indebtedness to EPBS
 - In August 1995 70.8 million Carib Cement shares and 10.1 million TOJ shares were pledged by CEL to ECB as collateral for a \$70 million line of credit
 - vii) June 1995 - EMB purchased J\$70 million of ECB shares at a premium of \$1.80 per share
 - viii) June 1995 and September 1996 - J\$193.4 million proprietary shares were issued by EPBS to EMB
 - Monies paid by EMB to EPBS for the shares were apparently loaned back to EMB
 - c) It appears that many of the above noted transactions were carried out to satisfy concerns of the BOJ or to meet the requirements of the revised Financial Institutions Act and Banking Act effective January 1, 1993.
3. Outstanding Work to be Performed
- a) We are continuing to review and analyze these transactions; however, we note that we have experienced difficulty in locating original cheques, accounting reports, and vouchers in support of share capital transactions
- B. Eagle Group Restructuring/ Reorganizations
1. Work Performed to Date
- a) A preliminary review of EFE reorganizations has been completed, primarily related to the creation of the Eagle Premium Growth Fund in November

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

1995.

2. Issues Identified and Findings to Date

- a) The focus of our work in this area is to determine whether or not benefits may have been earned by PCY or any of his business entities as result of the EFE reorganizations.
- b) The significant issues identified to date are as follows:
 - i) The Eagle Premium Growth Fund was valued at J\$6.2 billion at June 30, 1996. The values of the assets transferred into EPGF must be reviewed and analyzed to determine whether or not they were overvalued
 - ii) As part of the 1995 restructuring, Eagle Holdings & Investments Limited ("EHIL") sold their investment in CEL at a substantial gain. This paid off EHIL liability to CEL of J\$3.9 billion.
 - iii) CEL sold various entities (including Crown Eagle Hotels, real estate properties, Hillhaven Limited etc) to other EFE

3. Outstanding Work to be Performed

- a) Our review and analysis continues in this area. We have recently identified additional documents that need to be reviewed and analyzed.
- b) We will prepare a report at the completion of our review.

C. Phoenix Trade Finance/Eagle Trade Services

1. Work Performed to Date

- a) We have reviewed documents obtained from the offices of EMB and the expenditures related to Fort Belle.

2. Issues Identified and Findings to Date

- a) In 1985, Phoenix Trade Finance, a Miami based corporation, and Eagle Trade Services, a Jamaican based company, were established to facilitate overseas procurement of supplies and services for EFE customers during the period of foreign exchange control.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

- i) Phoenix Trade Finance is a subsidiary of Blue Bay Finance, a Miami based company which in turn is a subsidiary of Nicot Trading Inc., a company incorporated in the Bahamas. We are advised that PCY is the beneficial owner of the Nicot Trading/Blue Bay/Phoenix Group.
- b) We were advised that significant pressure was exerted by PCY to ensure that EFE purchased all their overseas supplies, particularly US purchases, through Phoenix. The method of purchasing varied where in some instances the vendor was Phoenix, but in other cases Phoenix brokered the transaction and added a commission charge of between 5% to 7-1/2% on the purchase price. The preliminary findings from our investigations to date include the following:
 - i) Purchases totalling approximately US\$1,500,000 were made through Phoenix in regard to the Fort Belle/Crowne Plaza project. Phoenix earned a commission of 7-1/2% on these transactions and, in addition, accrued interest and charged handling and banking fees. To date, we have seen no third party documentation such as vendor invoices to support the cost of the products purchased through Phoenix.
 - ii) Debts owing between Ciboney Group/EHIL/CEL/Phoenix were consolidated resulting in an amount owing to Phoenix by CEL of approximately US\$1 million. This loan was repayable by CEL over a period of 20 years. Loan repayments were made by CEL on January 31, 1997; however, Phoenix alleged that CEL had breached the loan agreement and demanded repayment of the loan.
 - We were advised that CEL denied that a breach had occurred and rejected the demands of Phoenix. Subsequently, it is alleged that PCY arranged for the Phoenix loan to be converted to a CEL Asset Investor Policy with a value equivalent to the outstanding balance of the debt and, subsequently, the Asset Investor Policy was encashed. On the basis of our preliminary investigative work, this issue is being pursued as a potential preferential creditor payment and/or a potential fraudulent transaction.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

3. Outstanding Work to be Performed

- a) Our review and analysis continues in this area. We have recently identified additional documents that need to be reviewed and analyzed.
- b) We will prepare a report at the completion of our review.

D. Ajax Investments Ltd. ("Ajax")

1. Work Performed to Date

- a) We have reviewed documents obtained from the offices of EMB and the expenditures related to Fort Belle.
- b) We have also conducted work as noted in Work Completed, Section F related to 24-26 Grenada Crescent, the former head office of EMB which is owned by Ajax.

2. Issues Identified and Findings to Date

- a) Ajax is beneficially owned by PCY and appears to have been utilized by PCY primarily as a property investment company. Ajax was the recipient of significant funds due to PCY from the EFE.
- b) The preliminary findings from our investigations to date include the following:
 - i) Ajax transferred an investment in Hill Haven Limited to EHIL for J\$10 million. J\$5.6 million appears to have been paid by EHIL and the balance of J\$4.4 million recorded in the books of EHIL on "Due to Ajax". This amount was subsequently applied to the amount due from Ajax in regard to the purchase of penthouse apartment No. 802 in the Crowne Plaza complex.
 - We are investigating whether the value attributed to the investment in Hill Haven at the time of transfer was appropriate and tracing the source of funds paid by EHIL to Ajax.
 - ii) On June 22, 1996, Ajax acquired penthouse apartment No. 802 in the Crowne Plaza complex for J\$10 million on behalf of PCY. J\$1 million

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

was paid as a deposit and J\$4.4 million due to Ajax from EHIL applied to the purchase price, leaving J\$4.6 million outstanding. We understand that this amount currently remains outstanding. This transaction was approved by the Board of CEL.

- We are currently tracing the source of the J\$1 million deposit and whether the value attributed to the apartment was reasonable.

- iii) Eagle Banque House (subsequently renamed Dary Investments) was a joint venture between EMB and two individuals. We were advised that significant losses were incurred relating to an investment by Eagle Banque House in debt issued by the Russian Government (Venish Paper) and that PCY was required by the Board of EMB to assume the Venish Paper in order to avoid any further losses. This transaction was effected by a 3 way transaction between Ajax, EHIL and CEL whereby Ajax transferred two properties (17 St. Lucia and Duke Street) to CEL and in return took back the Venish Paper). No cash appears to have changed hands with any balancing transactions undertaken by journal entry through the intercompany account between EHIL and CEL and the general ledger account for Ajax recorded in the books of EHIL.
- iv) Under the Management Contract between EMB and PCY dated November 12, 1993 and subsequently amended on March 4, 1996, PCY was to receive various amounts including management fees, profit participation on group profits before taxation and extraordinary items but excluding either realized gain/losses on intergroup sale of assets and various other expense reimbursements and benefits. These amounts due to PCY appear to have been paid by EMB to Ajax. We are currently attempting to locate documentation to ascertain what amounts were paid by EMB under this contract, the recipients of those payments and details of any calculations particularly in regard to the profit participation component which may reveal the "true" profitability of the Eagle Group.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

3. Outstanding Work to be Performed

- a) Our review and analysis continues in this area. We have recently identified additional documents that need to be reviewed and analyzed.
- b) We will prepare a report at the completion of our review.

E. Transactions with Paul Chen-Young & Company ("PCYCo")

1. Lindquist Avey is assisting Gregg Dennis of FINSAC in assembling and reviewing documentation to support CEL's claim for repayment of J\$100 million from PCY&Co.
2. Lindquist Avey will also assist Gregg Dennis related to PCYCo's apparent liability to CEL of approx J\$21 million for current stock positions

F. Donovan Hunter/Cheque Kiting

1. Donovan Hunter, a former EMB employee in Montego Bay, has been charged with fraud by the JCF in relation to apparent cheque kiting transactions in Montego Bay.
2. Documents supporting EMB's position and tracing the transactions from start to finish should be gathered; however, the assistance of NCB will be required to obtain certain documentation in relation to transactions conducted through NCB accounts
 - a) As of the date of this interim report, the assistance of NCB has not been obtained.
3. In light of the above, our work on this project is currently on hold. In addition, ECB has not received a claim from Lett's Cambio for repayment on any monies allegedly lost by Lett's on these transactions.
4. We have also provided FINSAC and Myers Fletcher & Gordon background information regarding James Ogle of Atlanta, Georgia, who was the recipient of payments occurring as part of the apparent cheque kiting transactions.

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

G. ECB Nostro (Correspondent) Bank Accounts

1. Lindquist Avey is carrying out a review of significant deposits and withdrawals in ECB's foreign currency "nostro" bank accounts at Espirito Santo and Bank of New York during the period 1994 to April 1997.
 - a) To date, we have identified payments totalling in excess of US\$1,700,000 made from the ECB "nostro" bank accounts to the benefit of Nicot Trading. We have not yet determined the purpose of these payments. As noted previously, Nicot Trading may be beneficially owned by PCY and it is related to Phoenix.
 - b) We note that on March 6, 1997, in excess of US\$950,000 was paid to Nicot Trading through the ECB Espirito Santo Bank of Florida bank account.
2. We will prepare a report upon completion of our review of the underlying transactions

H. Eagle Holdings and Investments

1. We have completed a preliminary review of the activities of EHIL. We have identified concerns with issues including: related party transactions, source of funds for EHIL to acquire ownership of CEL, valuation of assets transferred amongst the EFE and the nature and extent of transactions with Mount Investments prior to January 1, 1993.
2. Our review and analysis continues in this area. We have recently identified additional documents that need to be reviewed and analyzed.
3. We will prepare a report at the completion of our review.

**EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT**

WORK NOT COMPLETED

A. Superintendant of Insurance Inspection Files

1. The Superintendant of Insurance inspection files for CEL for 1990 to 1996 have been obtained by Lindquist Avey; however, these have not yet been reviewed.
2. Lindquist Avey also met with representatives of the Superintendant of Insurance.

B. EMB US\$ bank account at Espirito Santo Bank of Florida

1. Due to confidentiality and other concerns, Lindquist Avey has not yet been granted access to the bank statements, cashed cheques and other banking records related to the EMB bank account maintained at Espirito Santo Bank of Florida
2. A letter has been written by Ray Anderson of Ernst & Young to FINSAC related to issues that must be addressed before access can be provided.
3. We understand that these issues have not yet been addressed.
4. Given our preliminary findings based on our review of the ECB nostro bank accounts, a review of the transactions in the EMB US\$ bank account at Espirito Santo will be very important.

C. Cayman Based Eagle Group Companies

1. FINSAC and Lindquist Avey have not yet been granted access to EFE business records located in Cayman Islands
2. We understand that a letter has been written by FINSAC to Cayman authorities requesting access

D. US Based Eagle Group Companies

1. Regarding the US based EFE companies, we have only performed work related to Eagle Engineering/Eagle Interactive
2. Lindquist Avey is planning to attend at First Equity in Miami to review their operations and determine, amongst other things, whether any funds were

EAGLE FINANCIAL ENTITIES ("EFE")
SECOND INTERIM STATUS REPORT

transferred through First Equity to the benefit of PCY or his companies.

E. KPMG Audit Working Paper Review - Eagle Holdings and Mount Investments

1. Lindquist Avey has requested access to KPMG audit working papers for EHIL and Mount Investments Limited ("Mount")
2. Lindquist Avey is awaiting information regarding the ownership of EHIL and Mount. This information has been requested by KPMG before access can be decided upon.

F. Mount Investments

1. Mount Investments was an industrial and provident society that was engaged in various transactions with EFE up to December 1993.
 - i) Mount was wound up with the enactment of the Financial Institutions Act (1992).
2. Although partial Mount related documentation has been identified, no work has been completed in this area

G. CEL Corporate Branch Review

1. The CEL Corporate Branch operated from the offices of EMB and was involved in the issuance of Custodian Certificates to third parties, including PCYCo, PCYCo clients and CEL customers.
2. No work has been completed in this area except for work completed in relation to certain Custodian Certificate transactions between PCYCo and CEL



**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Tedd Avey

Direct: (416) 777-2441

**STRICTLY PRIVATE AND CONFIDENTIAL
WITHOUT PREJUDICE**

February 9, 1998

Ms. Shirley Tyndall
Financial Secretary
Ministry of Finance and Planning
30 National Heroes Circle
Kingston
Jamaica, West Indies

Dear Ms. Tyndall:

EAGLE FINANCIAL ENTITIES ("EFEs")

Mr. Patrick Hylton informed us on Friday, January 30, 1998 that the Board of Directors of FINSAC Limited ("FINSAC") has decided to terminate the investigation of the EFes effective Friday, February 13, 1998.

Mr. Hylton advised that the Board concluded that no areas of potentially significant criminal activity or civil recovery have been identified to date by the ongoing investigations of Lindquist Avey and FINSAC.

We understand that this decision was based, in part, on a document provided to the Board by Mr. Ken Tomlinson which summarized our second interim status report dated January 19, 1998. We are uncertain whether the FINSAC Board has reviewed and considered our second interim status report. This report was prepared at the request of FINSAC and was intended to inform FINSAC of the extent to which work had been completed on the various projects identified to date. On issuing the status report, we recommended that we meet with the Board or designated members of the Board and FINSAC to review and discuss each of the projects identified to reach consensus on the extent of work to be performed. To date this meeting has not taken place.

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV
Brian Crockett CA, CFE
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Jim Szarka MBA, CFE

John Beer BA
Wayne Blackburn BA, CFE
Stephanie Collins ACA
Penny Cookson BSc, CA, CFE
Dave Horner BComm, CFE
Nancy Howe CA, CBV, CFE
Ajay Junnarkar MACC, CA
Jane McFarlane ACA, CA, CFE
Jayesh Patel ACCA, CA, CFE
Jennifer Perry CA
Bonnie Prussky BBM
Michael Rudanycz CA
Virginia Scott CA
Joanne Shatka CA, CFE
Glen Stadtegger LLB, CA
Peter Steger CA, CBV, CFE
Alan Stewart CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Page 2
Ms. Shirley Tyndall
February 9, 1998

For the purposes of maintaining the integrity of the investigation, we have not explicitly identified in our reporting to date the probable areas of criminal activity, inappropriate activity and civil recovery. Further, critical steps in the investigative process have not been undertaken including, but not limited to, (i) interviewing former and current directors and senior management of the EFEs; (ii) review of the Eagle Merchant Bank ("EMB") Cayman Islands U.S. dollar account; and, (iii) review of the external auditor's working papers. Consequently, we feel strongly that it is premature for FINSAC to reach the conclusion that there are no areas of significant criminal activity or civil recovery. In our view, there was insufficient information before the Board upon which to reach such a conclusion.

The purpose of this letter is to provide you with relevant information to assess the merits of continuing with the investigation, including:

- 1) an overview of the probable and potential areas of inappropriate and criminal activity and civil recovery - we urge you to limit circulation of this information as the investigation may be compromised and a successful resolution jeopardized if the individuals under investigation are aware of the specific areas targeted for investigation; and
- 2) recommendations regarding actions which can be taken by FINSAC to expedite the investigation.

In addition, prior to concluding on the future progress of the investigation, we strongly recommend that we meet to discuss your concerns. We are available to meet at your convenience.

INAPPROPRIATE AND CRIMINAL ACTIVITY (APPENDIX A)

We have identified in Appendix A to this letter a number of areas of inappropriate activity which may constitute criminal activity, regulatory violations or income tax evasion. We note in particular:

- 1) Personal benefits extracted from the EFEs by Dr. Paul Chen-Young in the period prior to FINSAC assuming control of the EFEs;
- 2) Self-dealing by the directors and senior managers of the EFEs; and
- 3) Use of depositors' monies to fund share capital increases and related party loans thereby placing the depositors' monies at undue risk.

Strictly Private & Confidential - Without Prejudice



Page 3
Ms. Shirley Tyndall
February 9, 1998

As you are aware, the evidentiary standards required by courts when considering criminal conduct are onerous. At the date of writing we have not had an opportunity to meet with representatives of the Jamaica Constabulary Force ("JCF") or the Director of Public Prosecutions ("DPP"). Prior to FINSAC filing a criminal complaint, we recommend that certain actions are undertaken including, in particular, formal interviews with key witnesses.

On completion of the investigation and with the consent of FINSAC we will approach the JCF, the DPP or appropriate regulatory bodies to provide them with the details of the findings of the investigation. Regarding pursuit of a criminal prosecution, ultimately this decision will rest with the DPP; however, based on our experience, there are clear indications of inappropriate conduct by directors of the EFEs and others.

CIVIL RECOVERIES (APPENDIX B)

We have not yet had the opportunity of meeting with FINSAC's legal advisors to discuss the opportunities for and merits of commencing litigation for recovery but probable and potential recoveries identified by the investigation to date are listed in Appendix B to this letter.

If successfully pursued, the potential avenues for civil recovery identified to date represent significant reimbursement of the public funds expended by FINSAC to rescue the EFEs. At the appropriate stage of the investigation and with the consent of FINSAC, we will present the findings of the investigation to FINSAC's legal advisors and formulate joint recommendations on those matters to be pursued. At this time, the Board of FINSAC will be in a position to make an informed, supportable decision on commencing civil proceedings, if any.

OTHER AREAS OF INVESTIGATION NOT COMPLETED (APPENDIX C)

FINSAC and Lindquist Avey had identified further areas for investigation, listed in Appendix C, which are currently in progress or were scheduled for commencement in February, 1998 and March, 1998. Regarding certain of these areas, we have been unable to commence and/or complete the investigation due to our inability to access critical documentation. We continue to request FINSAC's assistance in expediting access to documentation to enable this work to be commenced and completed.

We trust that you are of the view that the matters noted in Appendix A and Appendix B represent significant findings of inappropriate activity and civil recovery.

Strictly Private & Confidential - Without Prejudice



To the extent that one or more of the areas listed in Appendix C reveal additional inappropriate activity or civil recovery, this will further enhance the findings of the investigation.

RECOMMENDATIONS FOR EXPEDITING INVESTIGATION

We are cognizant of the duration and related cost of the ongoing investigation and the need for investigative results, but given the size and complexity of the EFEs a lengthy investigation is inevitable. Further, in the event that FINSAC decides, in the public interest, to file a criminal complaint or commence civil legal proceedings then FINSAC should anticipate an extensive period for these matters to reach resolution in court. In the short term, we recommend that FINSAC undertake the following steps to assist in expediting the investigation:

1. Permit Lindquist Avey to meet with the Board or designated members of the Board and/or FINSAC to discuss the status of the investigation and agree on the projects to be pursued by Lindquist Avey and the priority of those projects to be pursued;
2. Resolve access issues to documentation relating to the EMB Cayman Islands U.S. dollar account;
3. Resolve access issues relating to the working papers and personnel of KPMG and other external audit firms;
4. Complete a detailed inventory of documentation relating to the EFEs held at Norman Road or other storage facilities;
5. Ensure that documentation and information requests by Lindquist Avey are given a high priority by FINSAC and EFE personnel - document identification and retrieval has been the most critical factor impacting on the pace of the investigation;
6. Authorize Lindquist Avey to act on behalf of FINSAC to assist legal counsel assess construction claims by CFC against Crown Eagle Life Insurance Company Limited ("CEL"), formulate claims by CEL against CFC and others involved in the Fort Belle project, assist in the arbitration process with CFC and implement the recommendations attached to our first interim status report;
7. Authorize Lindquist Avey to meet with FINSAC's legal advisors to develop recommendations to the Board on commencing civil proceedings for recovery; and

Strictly Private & Confidential - Without Prejudice



Page 5
Ms. Shirley Tyndall
February 9, 1998

8. Authorize Lindquist Avey to meet with the JCF, the DPP or relevant regulatory bodies to provide the findings of the investigations and future actions required, if any.

* * *

We currently have personnel in Jamaica whose primary tasks are preparation of detailed reports of the findings on certain projects for FINSAC's review and comment. Completion of these reports was targeted for various dates over the period to March 31, 1998.

Todd Shoalts, Peter McFarlane and I are available to meet with you or representatives of the Board and/or FINSAC at any time during the week of February 9, 1998 to discuss the status of the investigation in more detail.

If you have any questions regarding any of the above-noted information or would like to arrange a meeting, please contact me at (416) 777-2460, Peter McFarlane at (416) 777-2464 or Todd Shoalts at 906-1809 in Kingston.

Yours very truly,

LINDQUIST AVEY MACDONALD BASKERVILLE INC.

Per: E.A. Avey, CA, CFE, CPA
Principal

mc

Strictly Private & Confidential - Without Prejudice



EAGLE FINANCIAL ENTITIES ("EFEs")

Inappropriate and Criminal Activity

We have identified below a number of areas of inappropriate activity which may constitute criminal activity, regulatory violations or income tax evasion.

At the date of writing we have not had an opportunity to meet with representatives of the Jamaica Constabulary Force ("JCF") or the Director of Public Prosecutions ("DPP"). Prior to FINSAC filing a criminal complaint, we recommend that certain actions are undertaken including, in particular, formal interviews with key witnesses.

1. During the period from November 1995 (the establishment of the Eagle Premium Growth Fund) to March 1997 (when FINSAC assumed control of the EFes), several transactions have been identified which may represent diversion of funds from the EFes to directors and senior managers of the EFes. Investigations are continuing and have been stalled in some areas, notably reviewing transactions through the Eagle Merchant Bank ("EMB") Cayman Islands U.S. dollar account. Preliminary results indicate that the EFes were in significant financial difficulties, probably worse than was acknowledged to the Bank of Jamaica, and that during this period funds may have been diverted or misapplied. Examples include:
 - i) Under the November, 1995 restructuring Eagle Holdings & Investments Limited ("EHIL") and its subsidiaries were to remain a distinct entity under the control of the former EMB shareholders. Prior to the restructuring EHIL had a deficit of approximately J\$1 billion but subsequent to the transfer of assets to the Eagle Premium Growth Fund at "market values" the deficit of EHIL was eliminated and retained earnings of J\$61 million recorded;
 - ii) In March, 1996 Dr. Paul Chen-Young's ("PCY") management contract was amended including an increase of PCY's management fee from J\$3.6 million per annum to J\$10.0 million per annum retroactive to July 1, 1995. By cheque dated October 30, 1996 and payable to Ajax Investments Limited ("Ajax"), the personal holding company of PCY, PCY received J\$6.8 million (J\$9.7 million less income taxes and other deductions);

EAGLE FINANCIAL ENTITIES ("EFEs")

Inappropriate and Criminal Activity

- iii) In May, 1996, Crown Eagle Life Insurance Company Limited ("CEL") received US\$2.3 million of consortium funding to be used for financing construction and development of Fort Belle. In fact, these monies were not used for this purpose rather the funds were transferred to an EMB bank account at Espirito Santo and used to cover a loss of US\$3.56 million incurred by Eagle Holdings Cayman Limited related to the sale of 163,000 IBM shares in January, 1996. We note that the IBM shares increased in value subsequent to January, 1996 and we are currently attempting to establish the identity of the purchaser;
- iv) In July, 1996 the Board of EMB approved the transfer of a penthouse apartment at Fort Belle to Ajax for J\$10 million;
- v) In August, 1996 PCY authorized a payment of J\$3.4 million to Ajax for professional fees relating to interior design services provided on the Fort Belle project. There is no evidence of any services being provided by Ajax. Further, J\$10.6 million was paid to Dorit Hutson, PCY's personal companion, for interior design services relating to Fort Belle including J\$459,000 on March 10, 1997, immediately prior to FINSAC's assuming ownership of the EFEs;
- vi) In December 1996, regarding a loan of US\$1 million from Phoenix Trade Finance Corporation ("Phoenix"), a Miami-based corporation beneficially owned by PCY, to CEL, Phoenix alleged that CEL had breached the loan agreement and demanded repayment. Subsequent to CEL's denial of the alleged breach and refusal to repay the loan, it is alleged that PCY arranged for the Phoenix loan to be converted to a CEL Asset Investor policy valued at approximately US\$1 million. This policy was then converted to cash in February, 1997; and
- vii) On March 10, 1997, immediately prior to FINSAC's assuming ownership of the EFEs, US\$940,000 was paid to Nicot Trading, a Bahamian registered company owned by PCY. Based on our review to date of transactions recorded in the four most significant foreign correspondent (nostro) bank accounts maintained by ECB, we have identified that in excess of US\$1.7 million was paid to Nicot Trading between January 1, 1996 and March 10, 1997.

EAGLE FINANCIAL ENTITIES ("EFEs")

Inappropriate and Criminal Activity

Investigations are ongoing and will address the issue of whether there was a systematic diversion of funds from the EFEs in the period prior to FINSAC's assuming ownership of the EFEs and whether the transactions were valid.

2. Substantial renovation costs were incurred by EMB at 24-26 Grenada Crescent, a property leased by EMB from Ajax. PCY was in a conflict of interest as a director of EMB but also the owner of Ajax. There is no documentary evidence that PCY declared his conflict of interest to the Board of EMB. The renovations funded by EMB included areas not leased by EMB and were undertaken at a time when there was a minimal period of the lease term remaining. The lease expired on November 30, 1997. Consequently, the increase in the value of the property resulting from the renovations accrued to Ajax. A real estate appraisal prepared at the request of PCY in October, 1996 confirmed that the value of the property had increased by approximately J\$40 million as a result of the renovations. Subsequently, PCY proposed to the Board of EMB that Ajax pay J\$1 million towards the renovation costs.
3. In September, 1997 artwork was removed from a storage facility apparently leased by EMB. We were advised by Keith Senior, Managing Director of EMB, that EMB and FINSAC were provided with misleading information for the purposes of gaining access. Artwork was also removed from the offices of EMB. There was no independent verification of artwork taken. In the event that FINSAC cannot locate artwork which is owned by the EFEs and is not satisfied with the inventory of items taken as provided by PCY, the merits of filing a criminal complaint should be considered.
4. Based on the investigation to date, there are numerous instances of loans and investments by EFEs to entities owned by directors and senior managers of the EFEs which were written off in whole or in part. The "benefit" received will be identified and reported by Lindquist Avey to FINSAC. On receipt FINSAC should seek legal advice and consider what action, if any, should be taken which may include the consideration of whether the transaction constitutes income tax avoidance or, more seriously, evasion.

EAGLE FINANCIAL ENTITIES ("EFEs")

Inappropriate and Criminal Activity

5. A number of regulatory issues have been identified which will be brought to the attention of the Bank of Jamaica ("BoJ"). For example, in December 1992, EMB sold their 49% interest in Eagle Commercial Bank ("ECB") to CEL for J\$220.5 million. As a result, EMB recorded an extraordinary capital gain of J\$167.7 million in fiscal 1993. This capital gain funded, in large part, EMB's 1993 reserve fund contribution of J\$216.8 million. In the absence of this capital gain and the related reserve fund contribution, EMB would not have met the reserve requirements of the Financial Institutions Act. In our view there was no substance to this transaction as CEL borrowed J\$240 million from EMB to finance the purchase of the ECB shares and then CEL sold the ECB shares back to EMB in 1995 at the same price of \$220.5 million.

EAGLE FINANCIAL ENTITIES ("EFEs")

Civil Recoveries

We have not yet had the opportunity of meeting with FINSAC's legal advisors to discuss the opportunities for and merits of commencing litigation for recovery but probable and potential recoveries identified to date include:

1. Eagle Merchant Bank ("EMB") incurred costs of J\$11.8 million renovating the ground floor and stairwell of 24-26 Grenada Crescent which were areas not leased by EMB from Ajax Investments Limited ("Ajax"), the personal holding company of Dr. Paul Chen-Young ("PCY"). These costs were written off by EMB on June 30, 1997. Real estate appraisals prepared at the request of PCY indicate that the value of the property increased by an amount of 115% of the costs incurred. This increase in value has accrued to Ajax and not to EMB. In our view, there is a clear cause of action by EMB/FINSAC against Ajax.
2. EMB also incurred costs totalling approximately J\$40 million for renovations and furniture for the first, second and third floors of 24-26 Grenada Crescent. The renovation costs were all written off by EMB on June 30, 1997 with the related increase in value of the property accruing to Ajax. In view of PCY's role, there appears to be a cause of action by EMB/FINSAC against Ajax.
3. Regarding artwork owned by the EFes, we have been working together with Mrs. Margaret Bernal and anticipate an interim report from Mrs. Bernal on the location and value artwork identified to date. In summary, it appears that EMB is not in possession of the majority of their art collection which has a recorded book value of J\$27.7 million. We note that as at September, 1994 the majority of this artwork was in the possession of PCY and assume that he continues to hold or know of the whereabouts of the missing artwork. Further, in March, 1995 US\$475,000 was paid by EMB to Nicot Trading Co. ("Nicot Trading"), a Bahamian registered company we understand is owned by PCY, for artwork previously owned by PCY. None of the art purchased by EMB from Nicot Trading/PCY appears to be in the possession of EMB and we are not aware of any independent verification to determine whether the amount paid to Nicot Trading was reasonable or whether EMB took possession of the artwork.

EAGLE FINANCIAL ENTITIES ("EFEs")

Civil Recoveries

4. Regarding the Fort Belle contract, there are numerous potential claims, including:
- Refuting claims by CFC, the general contractor, of approximately J\$40 million against Crown Eagle Life Insurance Company Limited ("CEL");
 - Developing claims to be submitted by CEL against CFC for cost overruns;
 - Developing a claim against CFC in regard to an advance received in March, 1996 of US\$250,000 and the extent to which the use of these funds cannot be supported;
 - Developing claims against Crowne Plaza for expenditures which should have been borne by Crowne Plaza and not by CEL;
 - Developing claims against the Architect, Quantity Surveyor and other professional advisors for cost overruns;
 - Claims for an accounting of profits earned by Phoenix Trade Finance Corporation ("Phoenix") and other PCY-related suppliers of materials for the Fort Belle;
 - Claims against Ajax, Dorit Hutson and others for excess fees paid for interior design services. We note that under the original contract Ajax was responsible for interior design services under specific fee arrangements. In August, 1996 Ajax received J\$3.4 million. However, J\$10.6 million was paid to Dorit Hutson for interior design services relating to Fort Belle. We are not aware of a contract supporting payment of these fees; and
 - Claims against Ajax and/or PCY for costs incurred by CEL relating to penthouse apartment #802, which was acquired by Ajax in July, 1996.

EAGLE FINANCIAL ENTITIES ("EFEs")

Civil Recoveries

5. Based on our ongoing review of transactions recorded in the books of Eagle Holdings & Investments Limited ("EHIL") and Mount Investments Limited ("Mount"), there are numerous loans to and investments in corporations owned by directors and senior management of the EFEs or related parties which were written-off in whole or in part. In some instances, these loans were transferred to EHIL from a regulated entity at book value and then written off in the books of EHIL.
6. Our review of the available documentation relating to Ajax and PCY is ongoing but we understand that: (i) claims will be made against FINSAC by Ajax and/or PCY; and, (ii) claims have been identified against Ajax and/or PCY by Lindquist Avey (as noted above) and FINSAC.
7. Based on work performed primarily by FINSAC personnel, it appears that Paul Chen-Young & Company ("PCY & Co."), a brokerage owned by PCY, owes CEL approximately J\$100 million and an additional J\$21 million on stock positions. Lindquist Avey has advised on this claim and recently FINSAC requested that Lindquist Avey provide additional assistance in identifying and collating relevant documentation to support a formal claim against PCY & Co.
8. An amount of US\$325,000 is due to EMB from Eagle Interactive and others relating to acquisition of interactive television licenses.
9. Based on our review to date of transactions recorded in the four most significant foreign correspondent (nostro) bank accounts maintained by ECB, we have identified that in excess of US\$1.7 million was paid to Nicot Trading. Specifically we note that US\$940,000 was paid to Nicot Trading on March 10, 1997, immediately prior to FINSAC's assuming ownership of the EFEs.
10. It is our view that FINSAC should seek the advice of counsel on the merits of initiating a claim against some or all of the directors of the EFEs for breach of their fiduciary duties or other appropriate actions both for the purposes of recovery of public funds expended by FINSAC and to hold the directors accountable for their conduct.

EAGLE FINANCIAL ENTITIES ("EFEs")

Other Areas of Investigation Not Completed

FINSAC and Lindquist Avey had identified further areas for investigation which are currently in progress or were scheduled for commencement in February, 1998 and March, 1998. Regarding certain of these areas, we have been unable to commence and/or complete the investigation due to our inability to access critical documentation. We continue to request FINSAC's assistance in expediting access to documentation to enable this work to be commenced and completed. The investigative work to be commenced and/or completed includes:

1. Regarding renovations at 24-26 Grenada Crescent, additional investigation is required to identify other costs, outside the main contract, which were expensed or written off by Eagle Merchant Bank ("EMB") that should be included in a claim by EMB against Ajax Investments Limited ("Ajax"). We also recommend that a preliminary review is undertaken of other properties leased by the EFes from Ajax to determine whether similar issues are present.
2. We have completed our review of the Bank of Jamaica ("BoJ") reports and are scheduled to review the working paper files supporting the BoJ reports. On completion we will meet with representatives of the BoJ to discuss the findings from the investigation and assist the BoJ, if required, with any actions they deem appropriate.
3. Our review of the files of the Superintendent of Insurance ("SofI") are ongoing. As with the BoJ, on completion we will meet with representatives of the SofI to discuss the findings from the investigation and assist the SofI, if required, with any actions they deem appropriate.
4. Due primarily to difficulties in receiving documentation supporting the funding of share capital transactions relating to the EFes, investigations in this area have been significantly delayed. The preliminary findings indicate that depositors monies may have been used to fund some share capital increases and that related series of transactions were recorded to give the appearance of new capital when, in fact, no new monies were injected into the EFes.
5. We have requested access to the KPMG audit working papers related to their audits of Mount Investments Limited ("Mount") and Eagle Holdings & Investments Limited ("EHIL") for the purposes of enhancing our understanding of the relationship and unusual transactions between these entities and other members of the EFes. We have not yet been granted access by KPMG.

EAGLE FINANCIAL ENTITIES ("EFEs")

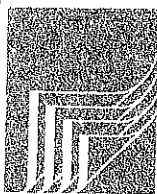
Other Areas of Investigation Not Completed

6. As noted earlier, we suggest implementation of our recommendations regarding construction issues relating to Fort Belle. Our recommendations were included in our first interim status report. The primary recommendation is requesting access to the books of the contractor, CFC. Of the J\$1.5 billion spent by Crown Eagle Life Insurance Company Limited ("CEL") on Fort Belle, J\$775 million was paid to the contractor, CFC. To date there has been no review of the records of CFC to determine how these funds were used. This review will assist in determining the reason(s) why costs of the Fort Belle project escalated from J\$125 million to J\$1.5 billion. We note that CEL does not have a right of audit to CFC's records but the filing of claims totalling J\$40 million by CFC may provide an opportunity for arranging access to CFC's books and records.
7. The investigation of the activities of Mount has been delayed pending location of the books and records of the company. During the period 1988 to 1992 Mount received significant deposits from the public which were used primarily to fund the EFes including financing share capital transactions and loans to directors of EFes and other related parties.
8. We recommend that FINSAC request/force access to the books and records of Phoenix which earned profits on transactions with the EFes and appears to have been used as a vehicle for certain monetary transactions.
9. We have identified a number of additional issues relating to Ajax including the basis upon which Ajax subleases and receives rental income from retail outlets at the Holiday Inn, Montego Bay which we understand is owned by Crown Eagle Hotels Limited and leased to Holiday Inns (Jamaica) Limited.
10. Concern has been expressed by FINSAC personnel regarding the acquisition of First Equity Corporation of Florida ("First Equity") by EMB in 1993, the financial performance of First Equity, certain transactions between First Equity and other EFes and loans to directors and senior management of the EFes. We have not completed our inquiries in this area and were planning to attend at the offices of First Equity in Miami in March 1998 to address these concerns.

EAGLE FINANCIAL ENTITIES ("EFEs")

Other Areas of Investigation Not Completed

11. During the period to 1997 there were numerous reorganizations and restructurings of the EFEs. Relevant documentation has been identified and extracted for review in February, 1998 by one of Lindquist Avey's Chartered Business Valuators to identify any valuation issues. The 1995 restructuring under which the Eagle Premium Growth Fund (the "Fund") was established is the key transaction and our preliminary review indicates that assets transferred to Fund from other EFEs may have been significantly over-valued. If it is established that the assets transferred to the Fund were knowingly over-valued and that units in the Fund were subsequently offered to the public, this transaction may form the basis of a criminal complaint.
12. In addition to Eagle Interactive (see above) there are a number of other EFEs based in the United States. In January, 1998 relevant documentation was identified and extracted for review in February, 1998.
13. We understand that access issues to the Cayman Islands-based EFEs were recently resolved. Consequently, in January, 1998 relevant documentation was identified and extracted for review in February, 1998.
14. Due to concerns regarding potential breaches of customer confidentiality, we have not been granted access to review transactions recorded in EMB's Cayman Islands U.S. dollar account at Espirito Santo Bank of Florida. Based on the results of our review of the Eagle Commercial Bank Limited ("ECB") foreign currency "nostro" accounts, there is a significant risk that transactions were undertaken through this EMB account for the benefit of PCY or related entities, since EMB controlled the transactions in this bank account. On commencing the investigation in July, 1997 we requested that FINSAC act to achieve resolution of these access issues. To date we are not aware of any action by FINSAC in this regard. It is our view that this is critical and should be addressed by FINSAC immediately.



Lindquist
Avey
Macdonald
Baskerville

The Forensic & Investigative Accountants

One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Howard Williams

Direct: (416) 777-2465

May 8, 1998

Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Attention: Mrs. Audrey Robinson

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

In response to your request we wish to provide you with a status report on our activities as of May 6, 1998.

During the period May 4 - 6, 1998 we continued to conduct interviews of witnesses in the Kingston area in the company of Detective Inspector Edwards. Two days were spent searching records at the Central Road location seeking original documents required to support our investigative findings. Review of personal files of Mr. Donovan Crawford was conducted and assistance on several matters was obtained from the Bank of Jamaica.

We are advised that United States of America authorities have appointed a Commissioner which will permit interviews and offshore evidence to be obtained. Our attendance has been arranged for the week of June 22, 1998. It is anticipated that Detective Inspector Edwards and the undersigned will be obtaining sworn statements from five to seven persons.

During the next two weeks we will be in our Toronto office and where necessary adding new material and updating investigative briefs and reports. If we need to conduct internal inquiries during that period we may be contacting yourself or Joan Chin. We will continue asset tracing activities both offshore and in Jamaica.

The following items prevent finalisation of transaction briefs:

- obtaining documents and interviewing witnesses in the United States of America

Page 2
Mrs. Robinson

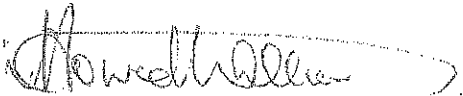
- obtaining statements and documents requested January 12, 1998 from the Bank of Jamaica
- obtaining a statement from Mr. Patrick Hylton
- response from Mr. Douglas Lays regarding Century National Bank prospectus
- locating and interviewing approximately ten witnesses in the Kingston area
- responding to requests and providing information to the Office of the Director of Public Prosecutions

We anticipate that by the latter part of June and early July these issues will have been dealt with.

Further to our conversation regarding relocation of our group to a Trinidad Terrace location by the end of June. I would suggest that we set the week of June 15, 1998 to effect our move.

Should you wish additional background information, please contact the undersigned.

Yours truly,



Howard Williams
Senior Investigator



Lindquist Ave

**EAGLE FINANCIAL ENTITIES INVESTIGATION
STATUS REPORT - JULY 10, 1998**

A. EAGLE ART COLLECTION

1. Margaret Bernal has provided a third (and final) draft of her report on the Eagle art collection dated June 30, 1998. Lindquist Avey has completed the required document review and interviews. Witness statements have been completed. Lindquist Avey will now complete the report on the Eagle art collection incorporating the findings of Mrs. Bernal.
2. A demand letter was issued on July 2, 1998 to PCY (see attached) requiring the return of Eagle property held by PCY (including artwork). We understand that PCY has responded acknowledging that art work is in his possession. This response will result in a delay in the anticipated legal proceeding related to artwork. In the event that all, or substantially all, missing artwork is returned by PCY legal proceedings may not be required.
3. Future activities will include: (i) following-up on PCY's response and taking possession of artwork currently held by PCY; (ii) identifying the remaining missing artwork; and, (iii) assessing the best strategy to recover the balance of the missing artwork (if significant). Relevant legal documentation has already been drafted including affidavits by Mrs. Bernal, Lindquist Avey and others.

B. EMB/ESBF US\$ ACCOUNT

1. Regarding obtaining a Court Order allowing access to the EMB/ESBF US Dollar account, affidavits have been sworn by Peter McFarlane and Patrick Hylton. Required legal documentation has been completed and EMB served. A court hearing has been scheduled for July 23, 1998.
2. If successful, Lindquist Avey personnel will be assigned to review records relating to this account and identify any questionable transactions for further investigation.

C. OTHER CIVIL RECOVERY MATTERS

1. Required legal documentation including Statements of Claim and affidavits by Lindquist Avey are currently being drafted.

2. Lindquist Avey and Myers Fletcher personnel are scheduled to meet on Monday, July 13 to continue drafting of the required legal documentation.
3. Certain issues will need to be addressed by FINSAC prior to civil proceedings being commenced. These issues have been directed to Patrick Hylton.

D. CRIMINAL PROCEEDINGS

1. Three JCF officers have been assigned to the Eagle matter. During the week of July 13, 1998 Lindquist Avey will meet with the assigned JCF officers to apprise them of the findings of the Eagle investigation and ascertain what assistance can be provided by Lindquist Avey to the JCF in conducting their investigation. In the short term, it is anticipated that Lindquist Avey investigators (primarily Andrew Goodman) will participate in preliminary interviews and witness statement preparation.
2. A preliminary meeting has been held with Brian Sykes of the DPP's office. However, we understand that no prosecutor has been assigned to the Eagle matter.
3. Patrick Hylton, Shirley Tyndall and/or Michael Hylton were to discuss with the DPP the possibility of Myers, Fletcher assisting the DPP's office in the criminal proceedings. This issue needs to be resolved.

E. CFC/CEL CONSTRUCTION CLAIMS

1. Refer to the attached letter of June 17, 1998 to which we have not received a response.
2. Lindquist Avey's work in this area is currently on hold.

F. INFORMATION LEAKAGE

1. Lindquist Avey has serious concerns regarding the ongoing leakage of confidential information relating to the Eagle investigation as evidenced by the numerous media reports. These leaks will impact on the success of the investigation and FINSAC should communicate to all involved the necessity for confidentiality.

G. OTHER MATTERS

1. Data relating to custodian certificates and asset investor policies has been downloaded by Lindquist Avey and transferred to a database. Reports requested by FINSAC have been generated and documentation is to be identified, collated and analyzed by a team to be assembled by FINSAC. Potential losses exceed \$250 million, of which approximately \$85 million has been recovered from PCY&Co..
2. Relevant documentation is being identified, collated and analyzed with regard to Eagle Group share capital transactions, foreign exchange transactions and transactions relating to First Equity Corporation. This process is proving time consuming.
3. The Bank of Jamaica has now provided access to the working papers supporting BOJ inspectors reports relating the the Eagle Group. This review will be undertaken by Jennifer Perry and Edward Nagel and commence on Tuesday, July 14, 1998.

H. ONGOING RESOURCES

1. The core Lindquist Avey professional team will be Peter McFarlane, Todd Shoalts, Andrew Goodman and Edward Nagel. Tedd Avey has overall responsibility.
2. Additional personnel will be utilized on an "as-needed" basis to complete work on outstanding project areas, including Alan Stewart, Nancy Howe, Jennifer Perry, Ginny Scott, Jane McFarlane, Gabrielle Preusse and Nicole Mercer. Where possible, work by these individuals will be done in Toronto to minimize space requirements at FINSAC offices and costs of attendance (airfare, hotel, etc.).
3. To the extent that further work is required on the CFC construction claims, this will be undertaken by Chris Mather as a separate project through CEL.

**EAGLE FINANCIAL ENTITIES INVESTIGATION
STATUS REPORT - AUGUST 10, 1998**

U
Lindquist Avey
Report file

A. EAGLE ART COLLECTION

1. Abe Dhabdoub, counsel for PCY, has acknowledged to Michael Hylton of Myers Fletcher that art work belonging to Eagle is in his possession for "safekeeping".
2. Michael Hylton has written to Mr. Dhabdoub requesting a response by August 10, 1998 regarding a meeting with PCY to determine what Eagle artwork is in PCY's possession.
 - a) The results of this meeting will impact on the timing of any litigation that may take place to assist in recovery of the artwork owned by Eagle.
3. Future activities will include: (i) following-up on PCY's response (if any) and taking possession of artwork currently held by PCY; (ii) identifying the remaining missing artwork; and, (iii) assessing the best strategy to recover the balance of the missing artwork (if significant).

B. EMB/ESBF US\$ ACCOUNT

1. A Court Order was obtained allowing Lindquist Avey access to the EMB ESBF US Dollar bank account.
2. Lindquist Avey personnel will be assigned to review records relating to this account and follow up on known unusual transactions and identify any other questionable transactions for further investigation.

C. OTHER CIVIL RECOVERY MATTERS

1. Required legal documentation including Statements of Claim and affidavits by Lindquist Avey are currently being drafted. The civil recovery process is now on hold due to summer Court shutdown until end of September, 1998.
2. During this period, Michael Hylton will identify and advise on the best issues to proceed with in any civil recovery efforts which may be commenced.

D. CRIMINAL PROCEEDINGS

1. Three JCF officers have been assigned to the Eagle matter and Lindquist Avey has met with the assigned JCF officers to apprise them of the findings to date of the Eagle investigation.
2. Commencing in early September 1998, Lindquist Avey investigators (primarily Andrew Goodman) will participate with the JCF in preliminary interviews and witness statement preparation.
3. Patrick Hylton, Shirley Tyndall and/or Michael Hylton were to discuss with the DPP the possibility of Myers, Fletcher assisting the DPP's office in the criminal proceedings. This issue has not been discussed and needs to be resolved.

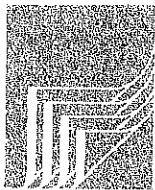
E. CFC/CEL CONSTRUCTION CLAIMS

1. Chris Mather met with Geoffrey Messado and Norman Lai of CEL and had discussions with Maurice Stoppi during the week of August 3, 1998 to discuss the status of the Crowne Plaza construction and CFC's claim against CEL.
2. Chris will be drafting a status report and an action plan for FINSAC setting out his recommendations as to how FINSAC should deal with the CFC claim issue now rather than wait for CFC to respond to requests for information from Stoppi.

F. OTHER MATTERS

1. Data relating to asset investor policies has been downloaded by Lindquist Avey and transferred to a database. This data is currently being organized and will be matched to the Custodian Certificate information already assembled. This information will be provided to Ken Tomlinson.
 - a) Ken Tomlinson informed us that he has recently assembled a team to begin a review of the EMB Custodian Certificates issued by EMB to determine whether or not there have been any other erroneous rollovers (as was discovered with PCY& Co). We will provide assistance to Ken in this area as, and when, requested.
2. Relevant documentation is being identified, collated and analyzed with regard to Eagle Group share capital transactions, foreign exchange transactions and transactions relating to First Equity Corporation.

- a) Lindquist Avey will undertake a thorough search during mid August 1998 to obtain original documentation that may be stored at Norman Road .



Lindquist
Avey
Macdonald
Baskerville

The Forensic & Investigative Accountants

One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Howard Williams

Direct: (416) 777-2465

August 21, 1998

Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Attention: Mrs. Audrey Robinson

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

This letter will provide you a summary of our activities and further work being undertaken by Lindquist Avey staff in conjunction with the Office of the Director of Public Prosecutions and the Jamaica Constabulary Force.

During the week of August 16-22, 1998 we have continued to update investigative briefs, prepare witness interview materials and conduct asset tracing research.

It was our intention to conduct several of the remaining interviews in the Kingston area, unfortunately either the witnesses were unavailable or police failed to locate them.

Although we provided additional statements to Mr. Bryan Sykes, Deputy Director of Public Prosecutions, to initiate further investigative assistance from the U.S. Justice Department, it would appear no such request has been made. We are advised he is on leave until August 26, 1998 and we are not able to confirm the status of the inquiries until his return.

The following remain as outstanding issues:

- gathering off-shore evidence to complete transaction briefs
- obtaining statements and documents (requested January 12, 1998) from the Bank of Jamaica
- obtaining a statement from Mr. Patrick Hylton
- response from Mr. Douglas Lays regarding Century National Bank prospectus

Page 2
Mrs. Robinson

We have provided documents and draft statements to Detective Inspector Edwards for witnesses he will attempt to locate in our absence.

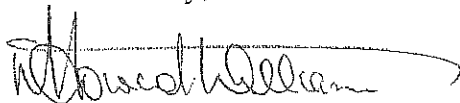
We will be contacting the Bank of Jamaica prior to our departure and request the Police do the same in respect to the statements requested January 1998.

It is anticipated that at least one member of the Century investigative team will return to Jamaica during the week of August 31, 1998. At which time we will hopefully be completing witness statements and finalizing arrangements for the completion of offshore inquiries.

During our next visit we will be meeting with Mr. John Vassell, Attorney-at-law, concerning the Blaise matter.

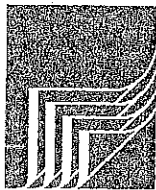
Should you wish to discuss this matter I can be reached at the above number in Toronto.

Yours truly,



Howard Williams
Senior Investigator





Lindquist
Avey
Macdonald
Baskerville

The Forensic & Investigative Accountants

One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2441
Fax: (416) 777-2441
TDX 131

Howard Williams

Direct: (416) 777-2465

September 3, 1998

Financial Institutions Services, Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Attention: Mrs. Audrey Robinson

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

During the week commencing August 31, 1998 our staff continued to update investigative briefs and asset tracing activities in Toronto, while I conducted witness interviews and case management functions in Kingston.

I was able to contact Mr. Bryan Sykes of the Office of the Director of Public Prosecutions regarding inquiries in the U.S.A. He advised the request had been filed and he anticipated a reply very soon. In a conversation with Mr. Glen Andrade I expressed the desire to complete this phase of the investigation as soon as possible.

I met with Mr. Michael Hylton and discussed items of mutual interest and provided some items which will assist him as he prepares for the upcoming civil trial on the Century matter.

Contact was made with Mr. John Vassell concerning the Blaise matter. He is seeking documents with an affidavit (probably from Patrick or Lisa) which will support the allegations set out in the civil action e.g. Deception on the Minister/BOJ. He was advised we had provided copies of most records to his office, however I undertook to review the action and advise him of any areas where we might shoreup the case.

Telephone contact was made with Mr. Douglas Leys concerning the "prospectus", he apologized for the delay and advised an answer would be forthcoming in the next two weeks.

Page 2
Mrs. Robinson

The following remain as outstanding issues:

- gathering off-shore evidence to complete transaction briefs
- obtaining statements and documents (requested January 12, 1998) from the Bank of Jamaica
- obtaining a statement from Mr. Patrick Hylton
- response from Mr. Douglas Lays regarding Century National Bank prospectus

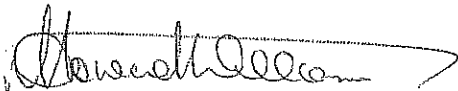
We have provided documents and draft statements to Detective Inspector Edwards for witnesses to locate in our absence.

We have contacting the Bank of Jamaica in respect to the statements requested January 1998 and we are advised material would be provided by mid-September.

We have set the date of September 24, 1998 to return to Jamaica, travel plans may be effected by the pilots strike of Air Canada.

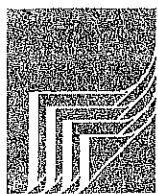
I can be reached at the above number in Toronto or Mr. David Horner can be reached at (416) 777-2443 should you wish further information.

Yours truly,



Howard Williams
Senior Investigator





**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Peter McFarlane

Direct: (416) 777-2464

September 9, 1998

Mrs. Audrey Robinson
Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Dear Mrs. Robinson:

STATUS REPORT - EAGLE FINANCIAL ENTITIES ("EFE") INVESTIGATION

This letter will provide you with a brief outline of investigative processes being undertaken by Lindquist Avey in regard to EFE-related civil issues and criminal proceedings, the latter in conjunction with the Office of the Director of Public Prosecutions and the Jamaica Constabulary Force.

Civil Issues

During the period August 18, 1998 to September 9, 1998, there have been a number of meetings and communications between counsel for Dr. Paul Chen-Young ("PCY") and FINSAC with regard the Eagle Art Collection and other issues raised by both PCY and FINSAC. We have assisted counsel for FINSAC in identifying relevant documentation and responses and attended at a meeting with PCY on September 9, 1998. A full report on these discussions was prepared by Michael Hylton and submitted to Patrick Hylton. A further meeting has been scheduled with PCY for September 29, 1998 at which the agreed process for determining the location and ownership of artwork will be continued.

Other civil related activities undertaken include:

- completing a number of reports on various aspects of the activities of the EFE's and EFE directors which will be utilized by counsel in the formulation of a directors liability claim against EFE directors;
- generation of numerous extract reports from the CEL custodian certificate and asset investor policy information downloaded from CEL's computer systems. These extract reports will be utilized by the project team assembled by Ken Tomlinson to identify duplicate encashments; and

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV
Brian Crockatt CA, CFE
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Jim Szarka MBA, CFE

Stephanie Collins ACA
Penny Cookson CA, CFE
Robert Gerden BSocSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, CFE
Ajay Junnarkar CA
Jane McFarlane ACA, CA, CFE
Jayesh Patel ACCA, CA, CFE
Jennifer Perry CA
Bonnie Prusky BBM
Virginia Scott CA
Joanne Shatka CA, CFE
Glenn Stadteger LLB, CA
Peter Steger CA, CBV, CFE
Alan Stewart CA
Danyelle Therrien BComm
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Page 2
Mrs. Robinson
September 9, 1998

- commencement of the review of documentation relating to the Cayman accounts pursuant to the recently received court order.

During the balance of September and October we will be undertaking interviews of all EMB directors and relevant directors from other EFEs and participating in the ongoing discussions with PCY. In the event that these discussions are not productive other actions may need to be considered by FINSAC.

Criminal Investigation

During the period August 18, 1998 to September 2, 1998, as requested by the JCF, Ed Nagel and Al Bleau have been locating original documentation from the records stored at Norman Road and the files of various EFE. This process will continue in the week commencing September 28, 1998. It has been agreed with the JCF that Lindquist Avey will hold the original documentation and, consequently, we need to ensure that secure storage facilities are available.

During the week commencing September 7, 1998 Andrew Goodman will undertake witness interviews in the company of the JCF. In addition, we will be writing to representatives of Bank of Jamaica, Superintendent of Insurance, Superintendent of Unit Trusts and the Ministry of Finance to advise them of the need for witness statements and original documentation regarding certain transactions which are subject to the criminal investigation.

Staff Scheduling

During the week of September 7, 1998 Andrew Goodman and myself have been in Kingston. Andrew will remain in Kingston for the following week. At present we do not anticipate that any personnel will be present in Jamaica during the week commencing September 21, 1998. Andrew Goodman, Ed Nagel and Al Bleau will be attending Kingston during the week commencing September 28, 1998.

We understand that you are close to finalizing the allocation of office space at the FINSAC and FIS premises and will be pleased to discuss same with you and arrangements for relocating cabinets, etc.

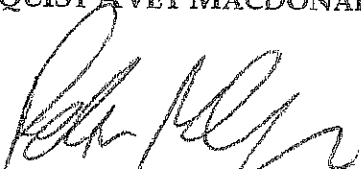


Page 3
Mrs. Robinson
September 9, 1998

If you require any further information, please contact the undersigned, Todd Shoalts or Andrew Goodman.

Yours truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY

A handwritten signature in dark ink, appearing to read 'Peter McFarlane', is written over the company name.

Per: Peter McFarlane, ACA, CA, CFE
Principal

:af





**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Donald
ny
ast
2V9

Tel: (416) 777-2440
Fax: (416) 777-2441

Direct: (215) 568-8310

October 15, 1998

PRIVATE AND CONFIDENTIAL

Mr. Patrick Hylton
Managing Director
FINSAC Limited
9 Trinidad Terrace
Kingston 5
Jamaica, West Indies

Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV, ASA
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Peter Steger CA, CBV, CFE
Alan Stewart CA, CFE
Jim Szarka MBA, CFE

Penny Cookson CA, CFE
Robert Gerden BScSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, AIC, CFE
Anthony Long BComm
Jane McFarlane ACA, CA, CFE
Edward Nagel CA
Gal Ofir CA
Jayesh Patel ACCA, CA, CBV
Jennifer Perry CA
Bonnie Prussky BBM, CBV
Virginia Scott CA
Girish Sharma CA, CBV
Joanne Shatka CA, CFE
Danyelle Therrien CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Dear Mr. Hylton:

REVIEW AND HISTORY OF CROWNE PLAZA HOTEL VALUATIONS

I investigated the valuations that have been performed on the above property since January, 1995 to the present date. They are as follows:

Date	Appraiser	Jamaican Dollars
January 11, 1995	D.C. Tavares & Finson Co., Ltd.	700,000,000
September 7, 1995	Robkovi Associates	746,600,000
October 7, 1996	Robkovi Associates	1,037,264,620
May 30, 1998	Deloitte & Touche ("D&T") (Preliminary report) (*)	315,000,000

(*) This D&T report has a value for the completed 8th and 9th floors of US\$1,250,000. However, another appraisal that was done in July, 1998 has appraised these same floors at US\$2,600,000.

Recd 28/10/98
(Signature)

Page 2

Mr. Patrick Hylton

October 16, 1998

The Deloitte & Touche report has some points in it that need to be clarified (see proposed questions/clarifications - Attachment A). In addition, in developing a value on the above property D&T has used the Pegasus and Hilton Hotels as comparators. The occupancy rates of these hotels have been increased over the last eighteen months by the number of guests that have stayed there on government business. If this business had been directed to the Crowne Plaza Hotel ("CP"), then not only would CP's occupancy rate be higher than it is currently showing but the other hotels' occupancy rates would be reduced.

Robkovi Associates

In my discussions last week with Mr. Buxton Cooke (Robkovi Associates), he identified that he was a personal friend of Paul Chen-Young ("PCY") and had been asked to do the second and third appraisals at a time when PCY was looking for additional project financing. In a telephone conversation with Sandra Watson (Jamaica Real Estate Board - 926-9748), she confirmed that Mr. Buxton Cooke had paid a licensing fee on July 10, 1995. This permitted him to certify appraised property values up until March 31, 1996. Her records showed that at the time of Robkovi Associates' October, 1996 appraisal, he was not licensed to make the certification in this follow-on appraisal as his licensing fee had not been paid. According to Ms. Watson, if a certification is made by a person not licensed by the Real Estate Board to certify a property, then the certification is not recognized by the Board as a valid certification. This would appear to be the case with the October, 1996 appraisal issued by Buxton Cooke/Robkovi Associates.

In response to the recent U.S. Embassy inquiry on the hotel Crown Eagle Life, attached is a supporting schedule from the October, 1996 appraisal. **Based on the above, you may wish to consider the appropriateness of any extracts or references to the October, 1996 appraisal being utilized from here on out until we are satisfied that it meets all legal requirements.**

During the interview, Buxton Cooke noted that he still had all of his original records and work papers on all the work he did related to the Fort Belle project. These records are currently kept at his home and maybe some consideration should be given to either getting copies of these work papers or getting them into CEL's possession in the event they are needed for future litigation matters.



Page 3
Mr. Patrick Hylton
October 16, 1998

Recommended Action

Based on last week's investigation, I recommend that the following be undertaken as soon as possible:

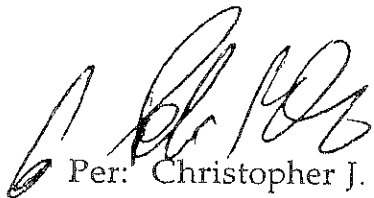
- Update Deloitte & Touche's May, 1998 (Preliminary) Appraisal Report;
- Get a second appraisal of the hotel (D.C. Tavares would be willing to do a follow up appraisal on a negotiated fixed fee basis);
- As the hotel is effectively clear of all interior construction work since September 1, 1998, the selected appraisers should be instructed to use revenues/occupancy rates from September 1, 1998 onwards;
- FINSAC should promote as much government business towards the Crowne Plaza Hotel to expedite the hotel's occupancy rate and revenue stream; and
- FINSAC should contact CFC at the earliest possible time to negotiate all open contractual issues that still need to be resolved (Carvel Stewart - 926-1320). It is not in FINSAC's best interests to have this unspecified contingent liability at a time when FINSAC wishes to sell the property.

I am willing to assist FINSAC in the successful clarification/resolution of the above matters. I will return to the island when you feel the time is most appropriate. If you should wish me to provide assistance to the Ministry of Finance, on one of their construction matters, maybe we could coordinate my next trip to facilitate the interests of both government agencies.

As always, it was a pleasure meeting with you and I look forward to seeing you soon. In the meantime, if you have any questions, please call me at (215) 568-8310.

Yours truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY



Per: Christopher J. Mather

c.c.: Peter McFarlane (with attachments)

Attachments
:jt



Questions/Clarifications - Deloitte & Touche Report
(re: Fort Belle Property)

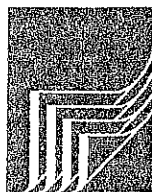
In reviewing your recent report I noticed certain items that need further clarification. In addition, I was wondering if any of these clarifications would have a "material" impact to your initial valuation report. The clarifications are as follows:

1. In your cover letter dated August 27, 1998 you state the hotel has "...133 Rooms and 7 apartments and an enclosed roof area." I have checked with the architect (see enclosed Attachment I). APEC has identified that the hotel (Floors 1 to 7) are comprised of 128 units, the Health Club (First Floor) and the Governor General's Suite (Seventh Floor). How do you account for 133 rooms?
2. You state that the "...current real estate investment market is primarily distressed and soft." However, the Wyndham Hotel was sold this year to the Hilton chain for approximately US\$25,200,000. You have also stated that the Crowne Plaza Hotel "...can be classified as a five star hotel, due to its condition and the services it provides." Are these factors incorporated in your current valuation?
3. You state that your valuation includes "...a certain amount of goodwill or business value." What (estimated) value do you believe is incorporated in your current valuation for these components?
4. Likewise what (estimated) value is included in your current valuation for furniture, fixtures and equipment?
5. Your report notes (page 3) that HIJ's fee is based on 15 % of the Gross Operating Profit. As of August 1, 1998 (see Attachment II Crowne Plaza Hotel letter) there was a reduction in the management fee from 15% to 10% of the Gross Operating Profit as defined in Section 8.01 of the Management Agreement. Does this effect your current valuation?
6. With the completion of Floors 8 & 9 CEL has been able to market the apartments. Currently, it has a rent/lease commitment for a 2 bedroom apartment for a monthly lease of US\$2,500/month (for a year) and a rent/lease commitment for a 3 bedroom apartment for a monthly lease of US\$3,000/month. The latter unit is for a one year rent with a second year option. In discussions with the hotel's General Manager, it is his understanding that the unit will be required for three years. Both rental agreements are with companies on the island who will pay certain utility costs above the monthly rental rate. Crowne Plaza's "safety" features appear to have increased the business community. Does the completion of the 8th and 9th floors, and the

above 2BR and 3BR rental rates that have been committed to materially effect your earlier computations?

7. On page 6 of your report, you state that the operational costs of the individual air-conditioning units would be more than a central unit, assuming reasonable room occupancy. What is the basis for this conclusion? Does this conclusion have an impact on your valuation?
8. On page 18 of your report you state that you believe the Direct Comparison Approach (US\$9,000,000 to US\$10,000,000) should be further discounted by US\$1,000,000 to US\$2,000,000 as the market is considered to be "...at the low operating performance." You then show a (low) Final Estimated Value of US\$9,000,000 and discount it by US\$2,000,000. From the (high) Final Estimated Value of US\$10,000,000 you discount it by US\$1,000,000. Why not only discount the low range by US\$1,000,000? (For your information, the Kingston Hilton is looking into making some major renovations, and it is anticipated that once these renovations are underway, the Pegasus will also carry out some renovations during the same time frame. If this occurs, Crowne Plaza believes it will be well placed to pick up new business and anticipates it will increase its occupancy level at this time. Would your valuation model change if this occurred?)
9. Does your current valuation exclude any contributing value for the tenth floor to the property's overall value? If so, what potential value can be placed on the property for the 10th Floor? (FYI, the Hotel is currently moving its Accounting Department into this area.)
10. Did you factor Crowne Plaza's safety features into your valuation? You note on page 25 of your report that "The current weak state of the market for hospitality real estate is partly caused by the difficulties faced by local financial institutions and lenders,...". I would presume that the hotel's Five-Star status, security/safety features and that the Government of Jamaica can promote business to the Crowne Plaza Hotel now that the construction is finally completed, that the current value would reflect these advantages. Does it?
11. Because the building is a new structure does your valuation factor in "de-bugging" issues that may arise in the first 12 months of full operation?
12. In developing its current valuation on the Crowne Plaza hotel did Deloitte adjust the occupancy rates (downwards) of the Hilton and Pegasus for the number of consultants that the government has placed in these hotels? Would there be a material impact to the valuations of all three hotels, if these consultants were directed to stay at the Crowne Plaza Hotel?

[FYI, I have attached the most current data on the hotel's square footage by area and floor, see Attachment III, as provided by Apec the project's architect.]



Lindquist
Avey
Macdonald
Baskerville

The Forensic & Investigative Accountants

One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Howard Williams

Direct: (416) 777-2465

October 9, 1998

Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5.

Attention: Mrs. Audrey Robinson

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

Further to our letter of August 31, 1998, members of our staff continue to prepare investigative briefs in Toronto.

During the last week in Kingston witnesses have been interviewed and statements signed off. Meetings have been held regarding case management issues.

We met with Mr. Bryan Sykes, Deputy Director of Public Prosecutions who was provided with additional material requested by U.S.A. authorities. This will hopefully expedite completion of this outstanding matter.

Contact was made with Ms. Gayon Hosin, Bank of Jamaica concerning statements requested in January 1998. She advised that the persons involved will endeavor to have them completed by the end of October, however she stressed that the legal officer is out of office for a period of three weeks and this may further delay the process.

Concerning the Blaise matter we are advised by Mr. Sykes that a motion to quash the constitutional action brought by Panton will be heard in November 1998. It is hoped the criminal matter will then proceed to trial.

Attempts to contact Mr. Douglas Leys, Ministry of the Attorney General concerning the "prospectus" were unsuccessful.

Rec'd 9/10/98
OK

Page 2
Mrs. Robinson

Despite the efforts of Ms. Campbell we have not received a response from Life of Jamaica regarding the Century National Bank \$9.0 million payment to Mr. Donovan Crawford which was lodged with Life of Jamaica..

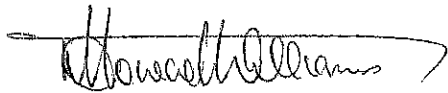
The following are outstanding issues:

- gathering off-shore evidence to complete transaction briefs
- obtaining statements and documents from the Bank of Jamaica
- obtaining a statement from Mr. Patrick Hylton
- response from Mr. Douglas Leys regarding Century National Bank prospectus
- contact with witnesses to sign-off statements

We anticipate returning to Jamaica the week of October 19, 1998.

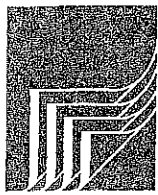
I can be reached at the above number in Toronto or Mr. David Horner can be reached at (416) 777-2443 should you wish further information.

Yours truly,



Howard Williams
Senior Investigator





**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Peter McFarlane

Direct: (416) 777-2464

October 23, 1998

Mrs. Audrey Robinson
Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV
Brian Crockatt CA, CFE
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalis CA, CFE
Jim Szarka MBA, CFE

Stephanie Collins ACA
Penny Cookson CA, CFE
Robert Gerden BSocSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, CFE
Ajay Jurnarkar CA
Jane McFarlane ACA, CA, CFE
Jayesh Patel ACCA, CA, CFE
Jennifer Perry CA
Bonnie Prussky BBM
Virginia Scott CA
Joanne Shatka CA, CFE
Glenn Stadtegger LLB, CA
Peter Steger CA, CBV, CFE
Alan Stewart CA
Danyelle Therrien BComm
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Dear Mrs. Robinson:

STATUS REPORT - EAGLE FINANCIAL ENTITIES ("EFE") INVESTIGATION

This letter will provide you with a brief outline of investigative processes being undertaken by Lindquist Avey in regard to EFE-related civil issues and criminal proceedings, the latter in conjunction with the Office of the Director of Public Prosecutions and the Jamaica Constabulary Force.

Civil Issues

During the period October 13, 1998 to October 23, 1998, there have been a number of meetings and communications between counsel for Dr. Paul Chen-Young ("PCY") and FINSAC with regard the Eagle Art Collection and other issues raised by both PCY and FINSAC. Mrs. Bernal has completed her review of relevant artwork located at the National Gallery and our artwork lists have been amended and forwarded to counsel.

Dr. Chen-Young has made a direct request to Patrick Hylton for a meeting to discuss a "global settlement". At the request of Patrick, Lindquist Avey and counsel will attend at that meeting currently scheduled for November 3, 1998.

Other civil related activities undertaken include:

- ongoing drafting of reports and document collation on various aspects of the activities of the EFE's and EFE directors which will be utilized by counsel in the formulation of a directors liability claim against EFE directors;
- ongoing generation of extract reports from the CEL custodian certificate and asset investor policy information downloaded from CEL's computer systems. These extract reports are being utilized by the project team assembled by Ken

rec'd 23/10/98
JH

Page 2
Mrs. Robinson
October 23, 1998

Tomlinson to identify duplicate encashments. Ken has indicated that further reports will be required; and

- ongoing review of documentation relating to the Cayman accounts pursuant to the a court order.

During the balance of October we will be continuing the review of the Cayman records and drafting of pleadings and affidavits with regard to various civil issues..

Criminal Investigation

During the period October 13, 1998 to October 23, 1998, as requested by the JCF, Ed Nagel and Al Bleau have been locating original documentation from the records stored at Norman Road and the files of various EFE. This process will continue in the week commencing October 26, 1998 with deadline of October 30, 1998 for documents located at Norman Road. Kim McWhinnie will be assisting Ed and Al with the recording and collation of documents located. It has been agreed with the JCF that Lindquist Avey will hold the original documentation and, consequently, we need to ensure that secure storage facilities are available.

During the week commencing November 9, 1998 Andrew Goodman will continue witness interviews in the company of the JCF.

Staff Scheduling

During the week of October 26, 1998 Todd Shoalts, Ed Nagel, Al Bleau and Kim McWhinnie will be in Kingston. Thereafter, our current staffing timetable is as provided to you in our October 12, 1998 status document.

We understand that you are close to finalizing the allocation of office space at the FINSAC and FIS premises and will be pleased to discuss same with you and arrangements for relocating cabinets, etc.



Page 3
Mrs. Robinson
October 23, 1998

If you require any further information, please contact the undersigned, Todd Shoalts
or Andrew Goodman.

Yours truly,

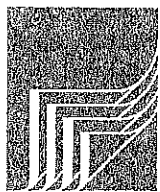
LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY



Per: Peter McFarlane, ACA, CA, CFE
Principal

:af





Lindquist
Avey
Macdonald
Baskerville

The Forensic & Investigative Accountants

One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Howard Williams

Direct: (416) 777-2465

October 26, 1998

Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5.

Attention: Mrs. Audrey Robinson

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

On October 21, 1998 Mr. David Horner and the undersigned commenced assembling original exhibits which will be provided to Detective Inspector Colbert Edwards on completion of the investigative phase.

We find it necessary to re-interview several witnesses in regard to additional exhibits which have come to light. Interviews are to be arranged on our next visit.

Mr. Bryan Sykes, Deputy Director of Public Prosecutions has not received a response from U.S.A. authorities concerning our request.

Life of Jamaica have requested a copy of the Century National Bank \$9.0 million cheque payment to LOJ for credit of Mr. Donovan Crawford. We have advised Mr. Howard Hall of Life of Jamaica that the original cheque is not available from Century records.

The following are outstanding issues:

- gathering off-shore evidence to complete transaction briefs
- obtaining statements and documents from the Bank of Jamaica
- obtaining a statement from an experienced banker regarding the use of debentures
- response from Mr. Douglas Leys regarding Century National Bank prospectus
- contact with witnesses to sign-off statements

Mr. David Horner will continue exhibit documentation until October 29, 1998.

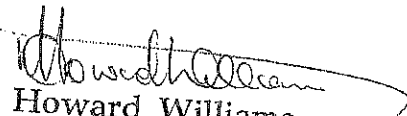
Page 2
Mrs. Robinson

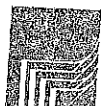
Mr. Roddy Allan, Principal, Lindquist Avey will be in attendance at the offices of Financial Institutions Services Limited during the period October 26 - 30, 1998. Mr. Allan will be submitting a report on the circumstances which led to the closure of the CFEs. He will be reviewing information and documentation in support of his findings.

Mr. David Horner and Howard Williams will be returning to Jamaica November 9, 1998.

I can be reached at the above number in Toronto or Mr. David Horner can be reached at (416) 777-2443 should you wish further information.

Yours truly,


Howard Williams
Senior Investigator



B. CRIMINAL ISSUES

1. Issues Identified

a) Share Capital Transactions - J\$1.4 billion

- i) Nine (9) share capital transactions carried out by Eagle Group of Companies valued at approximately J\$1.4 billion have been identified for purposes of criminal investigation
- ii) These transactions are all between related parties and potentially "circular" in nature in that no new money was actually injected into the Eagle Group

b) Eagle Premium Growth Fund - Restructuring Transaction J\$2.7 billion

- i) The 1995 Restructuring transaction involving the creation of the Eagle Premium Growth has been identified for purposes of criminal investigation
- ii) This transaction resulted in the Eagle Group recording an income gain of approximately J\$2.7 billion that appears to have been without substance

2. Lindquist Avey's Work with JCF

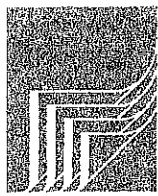
- a) Criminal complaint was made by Ministry of Finance to DPP in June, 1998. JCF were assigned to the investigation
- b) Lindquist Avey is assisting the JCF and DPP in conducting the criminal investigation in terms of gathering original documentation, identifying issues to be investigated, interviewing witnesses and summarizing findings

3. Obtaining Original Documents

- a) Lindquist Avey was informed by JCF that original documentation for the issues under investigation would need to be obtained before the investigation could commence
- b) After extensive searches, Lindquist Avey has now identified, located and obtained the majority of this original documentation

4. Interviewing Witnesses

- a) The process of interviewing witnesses regarding the issues under investigation has commenced
- b) JCF and Lindquist Avey team members are jointly involved in this process



**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Company
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441

Howard Williams

Direct: (416) 777-2465

November 19, 1998

Financial Institutions Services Limited
9 Trinidad Terrace
Kingston 5.

Attention: Mrs. Audrey Robinson
General Manager

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV, ASA
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Peter Steger CA, CBV, CFE
Alan Stewart CA, CFE
Jim Szarka MBA, CFE

Penny Cookson CA, CFE
Robert Gerden BSocSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, AIC, CFE
Anthony Long BComm
Jane McFarlane ACA, CA, CFE
Edward Nagel CA
Gal Ofir CA
Jayesh Patel ACCA, CA, CBV
Jennifer Perry CA
Bonnie Prussky BBM, CBV
Virginia Scott CA
Girish Sharma CA, CBV
Joanne Shatka CA, CFE
Danyelle Therrien CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Dear Mrs. Robinson,

Status Report - Century Financial Entities Investigation

Further to my letter dated October 26, 1998 I wish to provide a summary of our activities and work plan.

During the last two weeks we have retrieved and catalogued many of the original exhibits to be surrendered to the Jamaica Constabulary Force. Some documents have not been located and we anticipate having to search file cabinets located at 9 Trinidad Terrace or the records stored at Half Way Tree to complete the exercise.

Transaction and document briefs are in the process of being copied, completed items are stored in our work space. Several of the transactions cannot be finalized until investigation has been completed in the United States and statement taking has been finalized.

Mr. Bryan Sykes, Deputy Director of Public Prosecutions received a positive response from U.S.A. authorities which will permit completion of interviews. Our contact person Agent Michael Bonner of the Federal Bureau of Investigation has arranged for Detective Inspector Colbert Edwards and the undersigned to attend Miami the week of December 7, 1998 to conduct interviews with five witnesses.

The inquiry of Life of Jamaica concerning the Century National Bank \$9.0 million cheque is being handled by Detective Inspector Edwards. A manual search to determine the purpose for the payment is being conducted by Life of Jamaica.

Page 2

Mrs. Audrey Robinson

November 19, 1998

Recent contact with the Bank of Jamaica resulted in a commitment from Ms. Gayon Hosin to complete a statement within the next two weeks, she offered an apology for not responding to our previous requests.

Mr. Douglas Leys, Ministry of Attorney General will respond to our request for a regulatory review concerning the Century Share Offering within the next two weeks.

The following are outstanding issues:

- gathering off-shore evidence to complete transaction briefs
- obtaining statements and documents from the Bank of Jamaica
- obtaining a statement from an experienced banker regarding the use of debentures
- response from Mr. Douglas Leys regarding Century National Bank prospectus
- contact with witnesses to sign-off statements

Mr. Roddy Allan, Principal, Lindquist Avey will be writing a report on the circumstances which led to the closure of the CFEs.

It is anticipated that Mr. David Horner will be returning to Jamaica and the undersigned to Miami, the week of December 7, 1998. Brief preparation will continue in Toronto in the interim.

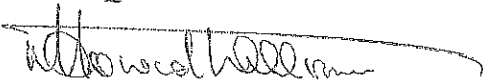
We await instruction from the Director of Public Prosecutions regarding an evidence gathering legal strategy which is being considered. Should this affect our planned return you will be advised.

Attached is a request for exemption from work permits, if appropriate would you please have the letter forwarded to the Financial Secretary.

We can be reached at the above number in Toronto or Mr. David Horner at (416) 777-2443 should you wish further information.

Yours truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY



Howard Williams
Senior Investigator

c.c. Ms. B. Lee-Hing



LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY

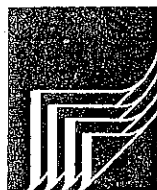
Eagle Investigation - December 31, 1998

Civil Issues

- 1) Artwork belonging to the Eagle Financial Entities ("EFE") in the possession of Dr. Paul Chen-Young ("PCY") has been recovered in large part. Some artwork remains to be picked up at the National Gallery, Spanish Court and PCY's residence in Miami. It is anticipated that this will be achieved in January, 1999. FINSAC continues to hold artwork to be returned to PCY, however, PCY has refused to sign an indemnity regarding ownership of the artwork and until same is received by FINSAC, the artwork will continue to be held.
- 2) A Mareva injunction was obtained on November 12, 1998 freezing PCY's assets. As of the date of writing, we understand that this injunction remains in force.
- 3) A Statement of Claim was filed against PCY and other related defendants on November 12, 1998 relating to artwork, 24 - 26 Grenada Crescent renovations, investment in First Equity and loans to Domville Ltd. A Statement of Defence was required to be filed in December, 1998. As of the date of writing, we are not aware of a Statement of Defence (and probable Counterclaims) being filed by PCY and the other Defendants.
- 4) Meetings have been held between Lindquist Avey and Myers, Fletcher to discuss potential claims against former directors of the EFE. Lindquist Avey provided three reports to Myers, Fletcher at the initial meeting on November 18, 1998. These reports are currently being reviewed and it is anticipated that recommendations to FINSAC will be provided in January, 1999 with regard to potential directors' liability claims.
- 5) Document review, fact finding and interviews with regard to civil claims have been completed with the exception of completion of the review of records relating to the Cayman account files for which access was obtained through court order. Ongoing assistance has been provided to FINSAC with regard to the review of CEL's Custodian Certificate and Asset Investor Policy Information. This project is being led by Ken Tomlinson.

Criminal Investigation

- 1) Eight (8) potential transactions warranting criminal investigation have been identified.
- 2) The investigation is ongoing, focusing primarily on the interview of witnesses in the company of the Jamaica Constabulary Force ("JCF") which are currently in progress.
- 3) Limited consultation has taken place with the Director of Public Prosecutions and at this early stage of investigation, there is insufficient information to be formally presented to the prosecutors. To date, a lead prosecutor has not been assigned, but we understand this will occur in early 1999.
- 4) A meeting was held in late December, 1998 with Kent Pantry, Director of Public Prosecutions and Francis Forbes, Commissioner of the JCF, to provide them with an update regarding the status and progress of the criminal investigation.
- 5) The majority of original documentation supporting the 8 transactions identified has been located and logged into a database to facilitate preparation of transaction briefs, preparation for witnesses' interviews and identification of additional documentation required. It is anticipated the outstanding documentation will be obtained through the witness interview process which is currently in progress.



**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

Lindquist Avey Macdonald
Baskerville Inc.
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

Tel: (416) 777-2440
Fax: (416) 777-2441
TDX 131

Peter McFarlane

Direct: (416) 777-2464

November 20, 1998

Ms. Brenda Lee-Hing
Manager - Assets and Divestments
FINSAC Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Dear Ms. Lee-Hing:

STATUS REPORT - EAGLE FINANCIAL ENTITIES ("EFE") INVESTIGATION

This letter will provide you with a brief outline of investigative processes being undertaken by Lindquist Avey in regard to EFE-related civil issues and criminal proceedings, the latter in conjunction with the Office of the Director of Public Prosecutions ("DPP") and the Jamaica Constabulary Force ("JCF"). For your information, we attach a copy of a document provided to Patrick Hylton and Audrey Robinson on November 17, 1998 listing the current status of civil and criminal issues relating to the EFE.

Civil Issues

During the week ended November 20, 1998, 164 pieces of artwork belonging to the EFE were recovered from Dr. Paul Chen-Young ("PCY"). Due to the absence of Mrs. Bernal, verification of the artwork received from PCY is outstanding. For your information, attached is copy correspondence issued to Cynthia Brown (assistant to PCY) confirming the number of pieces of artwork received. Although an Anton Pillar order was obtained to enforce the turning over of the artwork held by PCY, it was agreed with opposing counsel that the artwork was turned over on the basis that it belonged to the Eagle Group and not pursuant to the court order. This distinction is important since FINSAC now has immediate and undisputed title to the artwork and it can be sold if this is what FINSAC desires. This should be verified with FINSAC's counsel.

FINSAC still holds artwork which is to be turned over to PCY. This is currently scheduled to occur on Tuesday, November 24, 1998 subject to receipt of a signed indemnity from PCY regarding ownership and the availability of an expert to verify the specific pieces to be turned over. In addition, there remains: (i) five items at the

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV
Brian Crockatt CA, CFE
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Jim Szarka MBA, CFE

Stephanie Collins ACA
Penny Cookson CA, CFE
Robert Gerden BSc&C
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, CFE
Ajay Jurnmarkar CA
Jane McFarlane ACA, CA, CFE
Jayesh Patel ACCA, CA, CFE
Jennifer Perry CA
Bonnie Prussky BBM
Virginia Scott CA
Joanne Shatka CA, CFE
Glenn Stadtegger LLB, CA
Peter Steger CA, CBV, CFE
Alan Stewart CA
Danyelle Therrien BComm
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Page 2
Ms. Lee-Hing
November 20, 1998

National Gallery whose disposition needs to be determined; and, (ii) agreement on pieces to be retained to cover an amount of approximately \$815,000 due to FINSAC. It is hoped that all remaining issues relating to artwork will be resolved by the end of next week (November 27, 1998).

As discussed, the majority of artwork belonging the EFE is currently stored at the Crowne Plaza Hotel. We attach a copy of the most recent insurance policy relating artwork. We do not know if this policy remains in force and recommend that immediate action is taken to ensure FINSAC has adequate and current insurance coverage in place.

Other Civil Matters Before the Courts

Regarding the other civil matters currently before the courts:

- the Mareva Injunction obtained on November 12, 1998 freezing PCY's assets remains in force; and
- a statement of defence (and probable counterclaims) have not yet been filed by PCY and the other defendants in response to the Statement of Claim filed on November 12, 1998 relating to artwork, 24-26 Grenada Crescent renovations, investment in First Equity and loans to Domville Limited. We note that the defendants are required to respond within 20 days of the date the Statement of Claim was filed (December 2, 1998).

Directors' Liability

On November 18, 1998 Lindquist Avey met with Patrick Hylton and Peter Goldson of Myers Fletcher to discuss potential claims against the former directors of the EFE. Lindquist Avey provided three reports to Myers Fletcher at this meeting. It was agreed that Myers Fletcher would review these reports together with previously issued Lindquist Avey reports and prepare recommendations to FINSAC on potential Directors' Liability claims. It is anticipated that Myers Fletcher will have developed their recommendations by Friday, December 11, 1998.

Other Matters

During this week there has been:

- ongoing generation of extract reports from the CEL custodian certificate and asset investor policy information downloaded from CEL's computer systems. These extract reports are being utilized by the project team assembled by Ken



Tomlinson to identify duplicate encashments. Ken has indicated that further reports will be required; and

- ongoing review of documentation relating to the Cayman accounts pursuant to the a court order.

Criminal Investigation

During the week ended November 20, 1998, as requested by the JCF, Al Bleau has continued the process of locating original documentation from the records stored at Norman Road and the files of various EFE. These documents have then been collated by criminal investigative issue and by witness and recorded in a database. We note that it has been agreed with the JCF that Lindquist Avey will hold the original documentation and, consequently, we need to ensure that secure storage facilities are available. In addition, Andrew Goodman met with the JCF to discuss various issues and agree the schedule for interviews planned in December, 1998.

Staff Scheduling

Due to the timing of our firm's Annual Forensic Conference, we will have no personnel present in Jamaica during the weeks commencing November 23, 1998 and November 30, 1998, however, during this period work will be undertaken in Toronto, to the extent possible, to collate and provide additional information required by Myers Fletcher and ongoing document management. In summary, the following personnel will be present in Jamaica over the next four weeks:

November 23	None
November 30	None
December 7	Andrew Goodman, Nancy Howe, Al Bleau
December 14	Todd Shoalts, Peter McFarlane, Andrew Goodman, Nancy Howe, Al Bleau

Please note that staff scheduling is subject to change due to issues which may arise on this matter and other client matters. We will advise you of any known changes in our weekly status reports.



EAGLE FINANCIAL ENTITIES - STATUS OF CIVIL AND CRIMINAL ISSUES

A. CIVIL ISSUES

1. Mareva Injunction - J\$400 million

- a) Mareva Injunction obtained on November 12, 1998 freezing Paul Chen-Young's ("PCY") assets
- b) Statement of Claim issued on November 12, 1998 regarding artwork, 24-26 Grenada Crescent renovations, investment in First Equity and loan to Domville

2. Artwork - J\$20 million

- a) Anton Piller Order served on November 12, 1998 regarding seizure of J\$20 million of artwork owned by Eagle Merchant Bank ("EMB") which is in PCY's possession
- b) Order was not complied with on advice of PCY's counsel, Abe Dhabdoub
- c) Michael Hylton of Myers, Fletcher & Gordon is contemplating legal action in order to enforce the Order

3. 24-26 Grenada Crescent - J\$65 million

- a) EMB paid for \$64.5 million of renovations to 24-26 Grenada Crescent, EMB's former offices
- b) 24-26 Grenada Crescent is owned by Ajax Investments, a PCY company

4. First Equity - US\$8.1 million

- a) EMB invested approximately US\$9.3 million in First Equity both by direct investment and by providing loans to companies of which PCY was a Director
- b) EMB recently sold First Equity for proceeds of US\$1.2 million, resulting in a net loss to EMB of US\$8.1 million

5. Domville - J\$7 million

- a) Domville Limited, a company controlled by PCY, has an outstanding liability to Crown Eagle Life of J\$7 million

6. Directors Liability - Unknown \$

- a) Lindquist Avey personnel are meeting with Michael Hylton of Myers, Fletcher & Gordon on November 18, 1998 to define the strategy to address the issue of Directors Liability in the context of the failure of the Eagle Group of Companies
- b) The amount of this potential claim is not yet known



**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants

January 22, 1999

PRIVATE AND CONFIDENTIAL

Ms. Brenda Lee Hing
Manager-Assets and Divestments
FINSAC Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Dear Ms. Lee Hing:

STATUS REPORT – EAGLE FINANCIAL ENTITIES (EFE) INVESTIGATION

This letter will provide you with a status report in respect of the investigative procedures being undertaken by Lindquist Avey regarding EFE related criminal and civil proceedings. For your information, we have also attached a copy of the status report as at December 31, 1998 that we were asked to provide to Mrs. Suzanne Holness of FINSAC on January 4, 1999.

CIVIL PROCEEDINGS

Michael Hylton of Myers Fletcher & Gordon has advised us that he has agreed with PCY's counsel, Abe Dhabdoub, and Mr. Hugh Small (who is apparently acting for PCY on the civil matters) to provide an extension to the first week of February 1999 for the filing of a Statement of Defence. Mr. Dhabdoub and Mr. Small have advised that the Statement of Claim will be contested. In addition, PCY has not yet provided details of his world-wide assets as required under the terms of the Mareva Injunction. Michael Hylton advised that PCY must provide disclosure of his world-wide assets when the Statement of Defence is filed. If this asset disclosure is not provided, Mr. Hylton will seek to have default judgement registered against PCY.

Michael Hylton has indicated that he would like us to review and comment on the Statement of Defence and any Counterclaim, once they are filed by PCY. This will facilitate the filing of a Reply to the Statement of Defence and/or Counterclaim and possibly expand the current Statement of Claim. We expect that this work will be done during the first two weeks of February 1999. We understand that Michael Hylton is

Lindquist Avey Macdonald
Baskerville Company
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9

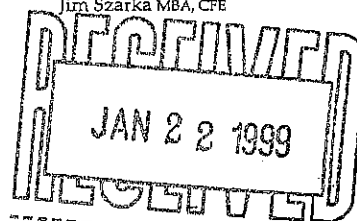
Todd Shoalts
tshoalts@lindavey.com

Tel: (416) 777-2440
Fax: (416) 777-2441

Direct: (416) 777-2458

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV, ASA
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Peter Steger CA, CBV, CFE
Alan Stewart CA, CFE
Jim Szarka MBA, CFE

Penny Cookson CA, CFE
Robert Gerden BScSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, AIC, CFE
Anthony Long BComm
Jane McFarlane ACA, CA, CFE
Edward Nagel CA
Gal Ofir CA
Jayesh Patel ACCA, CA, CBV
Jennifer Perry CA
Bonnie Prussky BBM, CBV
Virginia Scott CA
Girish Sharma CA, CBV
Joanne Shatka CA, CFE
Danyelle Therrien CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE



Page 2
Ms. Lee Hing
January 22, 1999

seeking to schedule a meeting with Patrick Hylton during the week of February 8, 1999 to obtain any required direction in relation to the civil proceedings.

We met with Michael Hylton on January 22, 1999 to discuss the status of the civil proceedings. Mr. Hylton provided us with Myers Fletcher's comments with respect to the strengths and weaknesses of pursuing any potential claim in respect of certain specific Directors Liability issues against the former Directors of EFE. We are currently reviewing those comments to determine if there are further causes of action that can be added to the Statement of Claim.

As you know, the artwork owned by EMB has been secured by FINSAC at Crowne Plaza. We understand that plans are underway to dispose of the art in Kingston, likely via auction. There still remains art that is owned by EMB to be picked up from the National Gallery and locations in Miami for return to FINSAC. We consider our work in respect of artwork to be completed, subject to picking up art in Miami and any further direction that we may receive from FINSAC or Myers, Fletcher & Gordon. We will refer any calls or inquiries that we receive regarding artwork to you for your action.

CRIMINAL PROCEEDINGS

The primary focus of our current work is the preparation for, and carrying out, interviews with witnesses in respect of the EFE transactions under criminal investigation. We are assisting JCF in this process. During the weeks of January 18 and 25, 1999 we are conducting interviews of 8 witnesses in respect of the 8 share capital transactions under investigation. We will be carrying out interviews of many critical witnesses in February and March 1999 in respect of the share capital and Restructuring transactions.

During these (and all) interviews, we are asking witnesses about their knowledge of certain transactions, obtaining a statement from the witness and asking them to review and identify documents that they authored or received for evidentiary purposes. As agreed with the JCF, we are retaining possession and control of all original documentation. We have developed a computer database to assist in cataloguing and organizing documents that have been (and will be) gathered in the course of the investigation.

A Prosecutor has not yet been assigned by DPP to this matter. We understand that this will be done in March 1999. At that time, we will meet with the assigned Prosecutor to

report on the work completed and to review each potential criminal transaction. We will obtain the Prosecutors comments regarding the strength of the claim(s) and discuss any additional work that may need to be completed. To date we have had no success in scheduling meetings with representatives of BOJ. Mr. Pantry, Director of Public Prosecutions, has made inquiries on our behalf to facilitate these meetings; however, to date we have had no response from BOJ to our requests.

STAFF SCHEDULING

During the weeks January 25 to March 29, 1999, we plan on having the following personnel present in Jamaica:

January 25	Andrew Goodman (dep. 27 th) , Edward Nagel (dep. 28 th)
February 1	No personnel
February 8	Andrew Goodman (arr. 10 th), Edward Nagel, Al Bleau, Todd Shoalts
February 15	Andrew Goodman, Edward Nagel, Al Bleau, Todd Shoalts
February 22	No personnel
March 1	Andrew Goodman (arr. 3 rd)
March 8	Andrew Goodman, Nancy Howe, Peter McFarlane
March 15	Andrew Goodman (dep. 17 th), Nancy Howe (dep. 17 th)
March 22	Andrew Goodman, Edward Nagel, Al Bleau
March 29	Andrew Goodman (dep. 31 st), Edward Nagel (dep. 31 st), Al Bleau

This schedule has been set on the basis of continuing the witness interviews with the JCF (currently underway in the criminal proceedings) and to provide any required assistance to Myers Fletcher & Gordon in respect on the ongoing civil proceedings. Should there be any changes to this staff scheduling, we will advise you.

Page 4
Ms. Lee Hing
January 22, 1999

If you require any further information or if you would like to discuss our status report, please contact me or Peter McFarlane.

Yours very truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY



Per: Todd Shoalts, CA
Principal

:abm

Encl.

Cc. Mrs. Audrey Robinson, Chief Operating Officer, FINSAC
Mr. Patrick Hylton, Managing Director, FINSAC
Miss Shirley Tyndall, Financial Secretary

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY

Eagle Investigation – December 31, 1998

Civil Issues

- 1) Artwork belonging to the Eagle Financial Entities ("EFE") in the possession of Dr. Paul Chen-Young ("PCY") has been recovered in large part. Some artwork remains to be picked up at the National Gallery, Spanish Court and PCY's residence in Miami. It is anticipated that this will be achieved in January, 1999. FINSAC continues to hold artwork to be returned to PCY, however, PCY has refused to sign an indemnity regarding ownership of the artwork and until same is received by FINSAC, the artwork will continue to be held.
- 2) A Mareva injunction was obtained on November 12, 1998 freezing PCY's assets. As of the date of writing, we understand that this injunction remains in force.
- 3) A Statement of Claim was filed against PCY and other related defendants on November 12, 1998 relating to artwork, 24 – 26 Grenada Crescent renovations, investment in First Equity and loans to Domville Ltd. A Statement of Defence was required to be filed in December, 1998. As of the date of writing, we are not aware of a Statement of Defence (and probable Counterclaims) being filed by PCY and the other Defendants.
- 4) Meetings have been held between Lindquist Avey and Myers, Fletcher to discuss potential claims against former directors of the EFE. Lindquist Avey provided three reports to Myers, Fletcher at the initial meeting on November 18, 1998. These reports are currently being reviewed and it is anticipated that recommendations to FINSAC will be provided in January, 1999 with regard to potential directors' liability claims.
- 5) Document review, fact finding and interviews with regard to civil claims have been completed with the exception of completion of the review of records relating to the Cayman account files for which access was obtained through court order. Ongoing assistance has been provided to FINSAC with regard to the review of CEL's Custodian Certificate and Asset Investor Policy Information. This project is being led by Ken Tomlinson.

Criminal Investigation

- 1) Eight (8) potential transactions warranting criminal investigation have been identified.
- 2) The investigation is ongoing, focusing primarily on the interview of witnesses in the company of the Jamaica Constabulary Force ("JCF") which are currently in progress.
- 3) Limited consultation has taken place with the Director of Public Prosecutions and at this early stage of investigation, there is insufficient information to be formally presented to the prosecutors. To date, a lead prosecutor has not been assigned, but we understand this will occur in early 1999.
- 4) A meeting was held in late December, 1998 with Kent Pantry, Director of Public Prosecutions and Francis Forbes, Commissioner of the JCF, to provide them with an update regarding the status and progress of the criminal investigation.
- 5) The majority of original documentation supporting the 8 transactions identified has been located and logged into a database to facilitate preparation of transaction briefs, preparation for witnesses' interviews and identification of additional documentation required. It is anticipated the outstanding documentation will be obtained through the witness interview process which is currently in progress.



The Forensic & Investigative Accountants

February 12, 1999

Lindquist Avey Macdonald
Baskerville Company
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9
Peter McFarlane
pmcfarlane@lindavey.com

Tel: (416) 777-2440
Fax: (416) 777-2441

Direct: (416) 777-2464

PRIVATE AND CONFIDENTIAL

Ms. Brenda Lee Hing
Manager-Assets and Divestments
FINSAC Limited
9 Trinidad Terrace
Kingston 5, Jamaica

Dear Ms. Lee Hing:

STATUS REPORT - EAGLE FINANCIAL ENTITIES (EFE) INVESTIGATION

This letter will provide you with a status report in respect of the investigative procedures being undertaken by Lindquist Avey regarding EFE-related criminal and civil proceedings.

CIVIL PROCEEDINGS

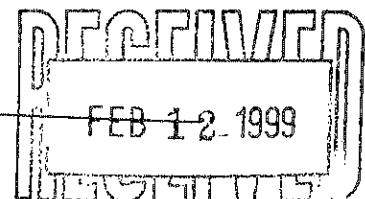
As noted in our previous reporting letter, Michael Hylton of Myers Fletcher & Gordon advised that he had agreed with Dr. Paul Chen-Young's ("PCY's") counsel, Abe Dhabdoub (criminal) and Mr. Hugh Small (civil) to allow an extension to the first week of February 1999 for the filing of: (a) a Statement of Defence; and, (b) an Affidavit by PCY disclosing his world-wide assets.

On February 10, 1999 PCY filed an Affidavit disclosing his world-wide assets and on February 11, 1999 a Statement of Defence and Counterclaim was filed by PCY and related. Together with Myers Fletcher & Gordon, we are reviewing these documents copies of which are attached for your information.

On February 12, 1999 we are scheduled to meet with Patrick Hylton and Michael Hylton to discuss the Statement of Defence and Counterclaim, the Affidavit disclosing PCY's world-wide assets, the response to the aforementioned documents and various directors' liability issues. At the time of writing, this meeting was about to commence. In our next reporting letter we will advise of the impact on Lindquist Avey's work resulting from decisions, if any, made at this meeting. At a minimum, we anticipate providing

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV, ASA
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Peter Steger CA, CBV, CFE
Alan Stewart CA, CFE
Jim Szarka MBA, CFE

Donna Bain CA
Kathy Chan CA
Penny Cookson CA, CFE
Robert Gerden BSocSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, AIIIC, CFE
Anthony Long BComm
Jane McFarlane ACA, CA, CFE
Edward Nagel CA
Gal Ofir CA
Jayesh Patel ACCA, CA, CBV
Jennifer Perry CA
Bonnie Prussky BBM, CBV
Virginia Scott CA
Girish Sharma CA, CBV
Joanne Shatka CA, CFE
Danyelle Therrien CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE



Page 2
Ms. Lee Hing
February 12, 1999

assistance to Myers Fletcher in preparing the Reply to the Statement of Defence and Counterclaim.

Regarding the review of CEL custodian certificates and asset investor policies, we were advised that this project is targeted for completion by March 31, 1999 and that no additional work is required of Lindquist Avey.

CRIMINAL PROCEEDINGS

The primary focus of our current work is the preparation for, and carrying out, interviews with witnesses in respect of the EFE transactions under criminal investigation. We are assisting the Jamaica Constabulary Force ("JCF") in this process. During the week of February 15, 1999, we are conducting interviews of 5 witnesses in respect of the 8 share capital transactions under investigation.

As noted in our earlier reporting letter, we will be carrying out interviews of many critical witnesses in February and March 1999 in respect of the share capital and Restructuring transactions. During these (and all) interviews, we are asking witnesses about their knowledge of certain transactions, obtaining a statement from the witness and asking them, for evidentiary purposes, to review and identify documents that they authored or received. As agreed with the JCF, we are retaining possession and control of all original documentation. We have developed a computer database to assist in cataloguing and organising documents that have been (and will be) gathered in the course of the investigation.

A Prosecutor has not yet been assigned by the DPP to this matter. We understand that this will be done in March 1999. At that time, we will meet with the assigned Prosecutor to report on the work completed and to review each potential criminal transaction. We will obtain the Prosecutors comments regarding the strength of the claim(s) and discuss any additional work that may need to be completed. To date we have had no success in scheduling meetings with representatives of the BOJ. Mr. Pantry, Director of Public Prosecutions, has made inquiries on our behalf to facilitate these meetings; however, to date we have had no response from the BOJ to our requests.



CROWNE PLAZA

As you are aware an extensive amount of work has been performed, primarily by Chris Mather, in regard to the Crowne Plaza. Since December 1, 1998, we have completed the update of our summary documents including a detailed chronology of events. Our billing for these services was deferred pending FINSAC's decision on when to proactively pursue these issues with CFC. We have now been advised that FINSAC does not wish to pursue these matters at this time. Consequently, for the purposes of bringing this project to an orderly closure, we will forward copies of our summary documents and a listing of outstanding issues for your records. No further costs will be incurred, however, we note that our unbilled costs for the period December 1, 1998 to January 31, 1999 were approximately \$10,300. These will be billed in our February 1999 billing

STAFF SCHEDULING

During the weeks February 15 to March 29, 1999, we plan on having the following personnel present in Jamaica:

February 15	Andrew Goodman, Ed Nagel, Al Bleau, Todd Shoalts
February 22	No personnel
March 1	Andrew Goodman (arr. 3 rd)
March 8	Andrew Goodman, Nancy Howe, Peter McFarlane
March 15	Andrew Goodman (dep. 17 th), Nancy Howe (dep. 17 th)
March 22	Andrew Goodman, Edward Nagel, Al Bleau
March 29	Andrew Goodman (dep. 31 st), Ed Nagel (dep. 31 st), Al Bleau

This schedule has been set on the basis of continuing the witness interviews with the JCF (currently underway in the criminal proceedings) and to provide any required assistance to Myers Fletcher & Gordon in respect on the ongoing civil proceedings. Should there be any changes to this staff scheduling, we will advise you.



Page 4
Ms. Lee Hing
February 12, 1999

OTHER MATTERS

As you may be aware, Lindquist Avey recently upgraded its computer equipment. During the week of February 8, 1999 20 computers, 2 printers and relevant software was shipped to Jamaica and will be set-up and installed for use by the JCF during the week of February 15, 1999. We were pleased to have the opportunity to utilise this equipment in such a worthwhile manner and hope that it will assist the JCF in providing efficient and cost-effective investigations, particularly in the area of commercial crime. During the weeks of February 15 and February 22, 1999 one of our IT consultants, Steve Hutchinson, will be in Kingston to set-up and install the hardware and software, set-up a network to facilitate communication between computers and printers and undertake preliminary training. All costs relating to Mr. Hutchinson and installation costs such as cable, etc. will be borne by Lindquist Avey.

If you require any further information or if you would like to discuss our status report, please contact me at the above direct line or e-mail address or Todd Shoalts at 416-777-2458 or tshoalts@lindavey.com.

Yours truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY

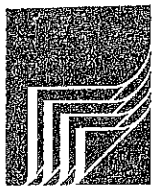


Per: Peter McFarlane, ACA, CA, CFE
Principal

Encl.

Cc. Mrs. Audrey Robinson, Chief Operating Officer, FINSAC
~~Mr.~~ Patrick Hylton, Managing Director, FINSAC (no encl.)
Miss Shirley Tyndall, Financial Secretary





**Lindquist
Avey
Macdonald
Baskerville**

The Forensic & Investigative Accountants
March 19, 1999

Lindquist Avey Macdonald
Baskerville Company
One Financial Place
One Adelaide Street East
30th Floor
Toronto, Canada M5C 2V9
Todd Shoalts
tshoalts@lindavey.com

Tel: (416) 777-2440
Fax: (416) 777-2441

Direct: (416) 777-2458

PRIVATE & CONFIDENTIAL

Ms. Marilyn Hill
General Manager – Intervention & Rehabilitation
FINSAC Limited
76 Knutsford Boulevard
Kingston 5, Jamaica

Tedd Avey CA, CPA, CFE
Robert Macdonald CA, CFE
Ted Baskerville CA, CFE
Roddy Allan CA, CFE
Michael Beber CA, CFE
Farley Cohen MBA, CA, CIP, CBV, ASA
Hazel de Burgh CA, CFE
Ross Hamilton CA, CFE
Peter McFarlane ACA, CA, CFE
Linda Robinson CA, CFE
Todd Shoalts CA, CFE
Peter Steger CA, CBV, CFE
Alan Stewart CA, CFE
Jim Szarka MBA, CFE

Donna Bain CA
Kathy Chan CA
Penny Cookson CA, CFE
Robert Gerden BSocSc
Andrew Goodman MA, LLB
Dave Horner BComm, CFE
Nancy Howe CA, CBV, AIC, CFE
Anthony Long BComm
Jane McFarlane ACA, CA, CFE
Edward Nagel CA
Gal Ofir CA
Jayesh Patel ACCA, CA, CBV
Jennifer Perry CA
Bonnie Prusky BBM, CBV
Virginia Scott CA
Girish Sharma CA, CBV
Joanne Shatka CA, CFE
Danyelle Therrien CA
Susan Tremayne CA
Teresa Warus CA, CFE
Howard Williams CFE

Dear Ms. Hill:

PROPOSED FORENSIC ACCOUNTING WORK – MUTUAL LIFE

Further to our meeting with Thomas Turula on March 17, 1999, we have set out in this letter our general understanding of the concerns regarding activities which occurred at Mutual Life prior to FINSAC's intervention and our proposed workplan to investigate these concerns.

ISSUES IDENTIFIED

In a memo dated March 17, 1999 prepared by Jacqueline Corrington (Assistant VP- Internal Audit) the significant issues to be addressed by a "forensic audit" are outlined. Based on the discussions at our meeting with Mr. Turula, Mutual Life staff and subsequent discussions with Jacqueline Corrington, the issues of concern should likely be prioritized, as follows:

A PRIORITY

Disbursement Review – Executive compensation was paid through a BNS bank account and little is known about the amounts that were paid out of this account. We understand that for apparent tax reasons, these salaries were recorded as investment expenses, as opposed to insurance expenses. The auditors have expressed concerns regarding the controls in place related to this bank account.

We understand there are concerns regarding the nature and extent of payments to Executives out of this account. We will carry out a review of the bank statements, and disbursements paid out of this account. Astin Smith of Mutual Life has indicated that he will facilitate our access to this information.

Boscobel Beach Club – Mutual has majority ownership (approx. 88%) of Jamaica Hotels Limited and Jamaica Hotel Properties Limited, which own and operate Boscobel Beach Club. Boscobel is managed under contract by VRL Management Limited which is controlled 100% by John Issa (SuperClubs). We understand that SuperClubs manages 8 hotels in Jamaica. Mutual jointly owns/operates three other hotels (Hedonism II, Trelawny Beach and Grand Lido) with Issa. Mutual paid in excess of US\$25 million for Boscobel in 1992 and it is believed that this was far in excess of market value. The hotel was recently valued at US\$19 million.

1992, Mutual entered into what is believed to be a one sided management agreement with VRL Management and there appear to be few benefits and little control by Mutual in the operations of the hotel. Issa's percentage ownership of Boscobel of 12% is the lowest of the four hotels jointly owned with Mutual. As a result, it is advantageous to maximize expenses charged to Boscobel in relation to the other SuperClubs properties. Mutual is concerned that they are being taken advantage of under the Agreement as follows:

- Are marketing and other costs being charged to Boscobel that in fact relates to other SuperClubs properties.
- Mutual is obligated to fund working capital for the hotel. For example, initially Mutual put US\$3.8 million of working capital into the hotel and Issa contributed nothing
- The 1999 budget indicates that the hotel projects a J\$100 million loss. The property has not been profitable since 1996. In 1998, advertising and promotion related costs totalled J\$61.2 million.
- J\$10 million was spent on refurbishing the hotel but there is little apparent value for money. In addition, JamCan carried out the major refurbishing and it is allegedly owned by a former GM of Boscobel.
- Excessive promotional costs and room rate discounts have been budgeted for 1999 and this impacts on the management fees of 3.5% of gross revenue and 7.5% of gross operating profit to be paid to VRL and fees earned by International Lifestyles, a Miami based marketing firm controlled by Issa.

Mutual has a right of audit of the books and records of Jamaica Hotels Limited and Jamaica Hotel Properties Limited. Mutual has no right of audit in relation to VRL Management nor International Lifestyles. However, based on a review of the Boscobel financial statements, the majority of the expenses at issue appear to be marketing/promotion expenses that charged by International Lifestyles and SuperClubs. Jacqueline Corrington has conducted a preliminary review of marketing expenses charged by SuperClubs to Boscobel. The audit report related to this review has not yet been prepared.

Mrs. Corrington indicated that she has just received a copy of the marketing agreement in place between International Lifestyles and Boscobel. After reviewing the agreement, she will make arrangements to visit International Lifestyles in Miami to review the marketing related expenses. Although Mutual Life technically does not have access to this information, Mrs. Corrington indicated that International Lifestyles will allow her to review the information re: Boscobel.

We would accompany Ms. Corrington on this visit to Miami. In addition, we will review the work she has already conducted, budgets for Boscobel, management agreement, financial statements and other relevant information. The goal of this review will be to determine whether or not expenses have been properly charged to Jamaica Hotels Limited in keeping with the Management Agreement.

Construction Projects (Pavillion and Rental of 10 Oxford Road) – Mutual has identified five construction projects that were carried out that are of concern. In each case, the projects had excessive cost overruns. In each case, Carlton DePass was the Project Manager acting for Mutual.

The Pavillion (a mall in HalfWay Tree) was built and there is a concern that construction materials purchased for the Pavillion were instead used to construct a building at 10 Oxford Road. This building is not owned by Mutual and is leased by the Employee Benefits Division of Mutual.

We will review the construction of the Pavillion and assess the costs incurred in light of materials that should have been purchased, the activities of DePass and the other professional advisors(Architect, QS) and attempt to determine whether costs relate to 10 Oxford Road. We will liase with the Architects (MacMorris, Sibley, Robinson) and QS (Goldson, Barrett, Johnson) in carrying out this work.

Purchase/Sale of Real Estate – Concerns have been raised regarding the purchase and/or sale of six real estate properties by Mutual Life. Regarding three of these properties (2-4 Musgrave Road, 38 Trafalgar Road, and Norbrook Road), amongst other things, Mutual Life is concerned about the involvement of Carlton DePass, (former Construction Manager for Mutual on many projects) who may have purchased these lands from Mutual and Dennis Morgan (former VP Investments).

Regarding the other three properties (Clarendon, River Glades and 30 Bell Road) there are concerns with the accuracy of valuation reports provided by CD Alexander for certain of these properties and potential conflict of interest on one property (30 Bell Road) which may have been leased from Mutual by a former Mutual Life Director.

We will review the purchase and sale documentation, valuation reports and other relevant documentation in respect of these properties in order to determine whether or not there are any irregularities regarding the purchase, sale and/or valuation of these properties.

B PRIORITY

Mutual Life USA - Mutual Life set up a US operation by forming an alliance with Northwestern National Life. The US company was based in Miami and was seeking to exploit a niche market focussing on Jamaican and other Caribbean expatriates in the southern US. In 1993, Harris Rattray, a former Mutual Senior VP, was given responsibility to develop the US market. Extravagant expansion plans were put in place and the Mutual Life Board was told that Mutual USA would be larger than Mutual Life within 2 years. Both internal audit and the external auditors (Price Waterhouse) expressed concerns regarding the US operations, including fraudulent conversion. Mutual Life funded the US operation at approximately US\$100,000 per month. In 1996, the US operation was shut down.

There is a concern that reports to the Board regarding the US operations were distorted. In addition, there is insufficient information regarding how monies were spent by Mutual US, including any monies that may have been paid to related parties. We understand that the books and records of the US operation are in the process of being returned to Jamaica. Once these records have been returned, we will review these books and records, focussing specifically on the usage of Mutual Life's monies.

Construction Project (Corporate Centre) – In 1993, construction began on Phase II of the Mutual Corporate Centre. Originally, it was intended that a second tower of 6 floors would be built at a cost of J\$542 million. The first tower had been built in 1976 at a cost of US\$8 million. The Board approved Phase II and subsequently approved the construction of 2 additional floors at a cost of J\$150 million. The project was completed in late 1996 or early 1997 and the total cost was in excess of J\$1 billion plus interest.

In 1996, Mutual's Board became increasingly concerned with the construction of the second tower and was told at a Board meeting by the Professional advisors (Architect – MacMorris, Sibley, Robinson and QS – Goldson Barrett Johnson) and Contractor (Caribbean Construction) that the cost to complete by the end of 1996 would be no more than J\$250 million. The costs exceeded this approved amount and the Board eventually approved the payment of additional monies. We understand that approximately J\$45 million in fees remain unpaid on the project, including interest charged for late payment. During this project the contract of the Project Manager (Carlton DePass) was terminated by Mutual.

As with other construction projects, the Corporate Centre had significant cost overruns and Mutual is concerned regarding the extent of the costs incurred and role of the professional advisors on the project. Mutual has no right of audit under the contract to the books and records of Caribbean Construction. However, Mutual would be able to access whatever documentation is in the possession of the QS.

We will review the construction of the Corporate Centre and assess the costs incurred in light of materials that should have been purchased, the activities of DePass and the other professional advisors (Architect, QS) and attempt to determine whether all costs are legitimately related to the Corporate Centre. We will liaise with the Architects (MacMorris, Sibley, Robinson) and QS (Goldson, Barrett, Johnson) in carrying out this work. We will conduct this work after the Pavillion work is completed, as noted above.

Construction Project (Terra Nova) - Terra Nova was purchased by Mutual in the early 1990's. Mutual's Board approved refurbishments to the property and there were poor controls in place to monitor costs that were incurred. For example, costs incurred for the swimming pool and generator building seem excessive. Carlton DePass was the Project Manager and there is a concern regarding his role and

potential conflict of interest he may have had in relation to supplies provided for the project.

Construction Project (Reading) – Mutual bought property in Montego Bay that was to be subdivided and sold as residential housing lots. Apparently there has been a problem in transferring title of the individual lots and Mutual Life may not have ownership of the acreage that they believed was purchased. Mutual has spent a significant sum of money on infrastructure and no lots have been sold. In fact, some individuals who put down deposits on property have asked for their monies back. Carlton DePass and Dennis Morgan (former Mutual VP Investments) were apparently involved with this project.

C PRIORITY

Springvale Banana – As a means of diversification, the Pooled Pension Fund invested approximately J\$8 million in Springvale Banana. This amount was lost and has been explained as being a bad investment.

First Cumberland Stockbrokers – First Cumberland carried out a significant number of share trading transactions for Mutual Life. Shares in a public company were purchased by Mutual Life, in the name of First Cumberland. First Cumberland was to transfer ownership of these shares to Mutual; however, this did not occur. In fact, the shares were sold in 1995 and the proceeds of approximately J\$44 million were not paid to Mutual. First Cumberland subsequently went into liquidation. A complaint has been made to the JCF and the matter is currently under investigation. There are concerns that full reports regarding this transaction were not made to senior management at Mutual.

Greenlight Tours Lease – We understand that funding was provided to Greenlight Tours (a company operated by Donald Panton) related to the lease of tour buses. The loan payments began to be returned and when Mutual Life went to seek recovery of the loan, it was discovered that the underlying assets were not available for recovery. Only one bus was sold and Mutual Life lost approximately J\$9 million plus interest. Mutual Life is seeking recovery of these monies through the Courts. If this is unsuccessful, there may be an action brought against Mutual's legal advisors who drafted the loan agreements.

Page 7
Ms. Marilyn Hill
March 19, 1999

During the initial phase of our work, we would only address the items listed as "Priority A". Those listed as "Priority B" would be addressed dependent on the results of our work on "Priority A" items. Those listed as "Priority C" will not be addressed in the short or medium term since most are in the process of being addressed through litigation or work by the JCF. We may do some work in these areas dependent on the results of the civil or criminal processes.

LINDQUIST AVEY TEAM

Based on our understanding of the issues to be investigated, there are many similarities to work that we have conducted in relation to other financial institutions in Jamaica. We will assemble a team utilizing people who have worked on these other engagements. Howard Williams, a retired Chief Superintendant of the Ontario Provincial Police, and Chris Mather, a construction dispute specialist, will be key members of the Lindquist Avey team. Howard and Chris have worked extensively on previous engagements for FINSAC. This team will also include staff from FINSAC and Mutual Life Internal Audit.

REPORTING

We will report on the progress of our work directly to you. We will discuss any changes in the scope of our work with you before we proceed. We will forward our invoices for services rendered directly to FINSAC for payment. Although we will work together with FINSAC and Mutual Life staff on this engagement, we feel it appropriate that we prepare all reports which set out conclusions regarding our findings. This will represent an independent opinion that can be relied on by FINSAC/Mutual Life, especially in the event there is any resultant litigation.

I am not in Jamaica next week. However, I will arrange a telephone call with Carina Cockburn and/or Ken Tomlinson next week in order to discuss this workplan and determine how these areas of investigation will be addressed, and by whom. In addition, I have attached under separate cover to Carina Cockburn all documents provided to me by Jacqueline Corrington of Mutual Life. A more detailed work plan should be developed for each Priority A item once these documents have been reviewed.

Page 8
Ms. Marilyn Hill
March 19, 1999

We look forward to working with FINSAC on this engagement. If you require any further information or if you would like to discuss this proposed workplan, please contact me at my direct line or Peter McFarlane at 416-777-2464.

-- Yours very truly,

LINDQUIST AVEY MACDONALD BASKERVILLE COMPANY

A handwritten signature in dark ink, appearing to be 'T. Shoalts', written in a cursive style.

Per: Todd Shoalts, CA, CFE
Principal

cc. Mr. Patrick Hylton, Managing Director, FINSAC
Ms. Maxine MacLure, FINSAC
Mr. Thomas Turula, Mutual Life

Kimone Thomas

From: Peter McFarlane [pmcfarla@krollworldwide.com]
Sent: Tuesday, October 16, 2001 10:19 AM
To: Kimone Thomas
Subject: Eagle Criminal Investigations
Importance: High

Kimone:

Please could you forward this email to Denis Lawrence.

Thanks, Peter McFarlane

STATUS AT SEPTEMBER 30, 2001

Thank you for your e-mail of October 9, 2001. The status of the Eagle Criminal Investigations from the perspective of Kroll Lindquist Avey is set out below:

1. All investigation briefs have been formally handed over to the DPP except for the Preface Brief and Transaction Brief #5 relating to the \$182.4 million capital injection.
2. We recommend that the following work is undertaken by Kroll Lindquist Avey:
 - a. Follow-up with the JCF re witness statements and resolution of any issues arising.
 - b. Completion of the Preface Brief and Transaction Brief #5 and the formal handing over of same to DPP.
 - c. Close down and archiving of all working papers and exhibits and storage of same at a safe and secure permanent location pending future instructions from the DPP.

In response to the specific questions raised in your e-mail, we note:

1. Are all witness statements signed?

Sergeant Kenneth Morris, Fraud Squad, JCF, is responsible for ensuring that all witness statements were signed. We have not been in communication with Sergeant Morris recently but, as far as we are aware, no additional witness statements have been signed since September 2000. For your information, attached is a listing of all witness statements required and the status of those witness statements. As can be seen, 18 of 42 remain unsigned.

2. Were any additional interviews done?

Subsequent to our meeting with the DPP, certain additional interviews were

16-Oct-01

undertaken, for example, the Superintendent of Insurance. We do not anticipate undertaking any further interviews unless directed by the DPP.

3. Did the BOJ provide the necessary response to your queries?

The BOJ responded to our information requests and provided information responding to those requests or an indication that documentation and information was not available; however, we have not received a formal witness statement in a form acceptable to the DPP. At our last meeting with Brian Sykes, he undertook to obtain a formal witness statement from a representative of the BOJ.

4. What areas were assigned to the Fraud Squad and were these completed?

As you are aware, we are assisting the JCF in their criminal investigation. Regarding specific outstanding areas, the Fraud Squad was tasked with arranging interviews and ensuring all witness statements were signed. We refer to our earlier comments in regard to the status of the signing of the witness statements. For your information, we understand that management of the investigation has been assigned to Detective Inspector Colbert Edwards.

For your information, I recently e-mailed Debbie Fraser, Myers, Fletcher & Gordon, regarding the status of the Eagle civil litigation. My understanding is that a decision with regard to the outstanding Appeal will likely be received at some point prior to December 31, 2001 and KLA's assistance may be required sometime thereafter.

I hope all is well. If you have any questions in regard to the above, please contact me at (416) 777-2464 or by return e-mail.

**FRIENDS GROUP /CLICO/CORPORATE GROUP LTD.
STATUS REPORT – JANUARY 2002**

	ASSIGNMENT	CURRENT STATUS
1	Deposit for Howard McIntosh of approximately \$1.7 million, being balance of proceeds from the sale of his house.	Andrea Gordon researching unidentified CABS deposit.
2	Statement of Accounts – Receipts & Payments Analysis June-December/2001 for all three companies.	Filed with the Registrar of Companies on January 30, 2002.
3	GCT penalties and interest totaling \$16.5 million charged by Inland Revenue for the period 1994-96 re Negril Investments Co. Ltd.	Waiver granted by the Ministry of Finance.
4	Letters written to Peter Standish re handing over of documents.	No response to letters and unable to contact by phone.
5	Civil Suits re Delroy Lindsay, Howard McIntosh et al.	Yolande Whitely of Dunn Cox has promised an update by mid-February 2002.
6	Sale of the Shares in the Jamaica Observer Ltd. and Levart Ltd.	Dr. Jeoffery Pyne, A.T.L. was contacted and he has promised to send a counter-offer next week.
7	Identification and disposal of assets in the entities.	Ongoing. Existence of FGL US\$ a/c at Citibank is being investigated.
8	Requests have been made to the Registrar of Companies for the deregistration of the Friends Group Subsidiaries.	The Registrar of Companies has requested copies of documents previously filed. Re-submitted and awaiting response.
9	Sale Agreement re sale of part of Llandoverly lot belonging to Howard McIntosh/Orion Investments Ltd. to the Government of Jamaica.	Despite numerous attempts, we are unable to finalise Sale Agreement with Mr. McIntosh.
10	Sale of portion of Llandoverly land to Government for the North Coast Highway project. Being handled by Rattray Chang & Assocs./Commissioner of Lands.	Rattray Chang had advised that documents for execution of the sale will be sent to us. Still not received.
11	Sale of Llandoverly hotel and condominium site (Lot #7).	Asking price adjusted to approximately \$50 Million. One offer of \$33M received from New Era Homes 2000 Ltd. Finsac has requested an updated Valuation which is being prepared by Breakenridge & Associates.
12	After the above issues have been dealt with, all activities in respect of CLICO, Corporate Group Ltd. and Friends Group Ltd. will be held in abeyance pending the outcome of matters under litigation.	Matters under litigation – ongoing. Yolande Whitely of Dunn Cox is to provide an update by mid-February 2002.

**Tomlinson/Neilson
January 31, 2002**

MONTHLY SUMMARISED REPORT

February 1, 2002

**RE: CORPORATE GROUP LTD AND SUBSIDIARIES
FIDELITY FINANCE MERCHANT BANK LIMITED
EAGLE HOLDINGS AND INVESTMENTS LIMITED**

**CORPORATE GROUP LIMITED, FRIENDS GROUP LIMITED AND
CORPORATE LIFE INSURANCE COMPANY LIMITED**

We are presently investigating the existence of two US Dollar Accounts at Citibank, in the names of Friends Group Limited T/A Sea Castles Hotel and Friends Group Limited T/A Point Village Hotel.

The above accounts seem to be inactive for over three (3) years and we have requested of Citibank to close the accounts and forward to us the proceeds of same.

Citibank's Vice president, Marcia Weon Choy has requested that we meet the first week of February, 2002 to discuss the issue. To date, we have not been able to ascertain the US\$ amounts in each of these accounts.

In relation to the deregistration of Negril Investments Limited and Negril, Negril Holdings Limited, the Office of the Registrar of Companies has requested that we re-submit copies of documents previously filed with the Registrar.

We have complied with this request and should receive the documents on the de-registration within the next six (6) weeks.

Abstract Receipts and Payments reports for Friends Group Limited, Corporate Group Limited and Corporate Life Insurance Company Limited have been filed with the Office of the Registrar of Companies.

The Report covers the period March 23, 1998 to December 31, 2001. The next report is due July, 2002.

Copies of the above reports were sent to Mr. Patrick McDonald, Chairman of Workers Savings & Loan Bank, the Debenture Holder.

In relation to the Llandoverly property, the independent Valuation being done by Breakenridge & Associates should be available the first week of February, 2002.

As soon as we receive the Valuation Report it will be forwarded to Finsac in order that a decision can be made on the \$33 Million offer from New era Homes (2000) Limited for the Llandoverly property.

Finsac gave approval November 1, 2001 for the Sale of Shares held by Corporate Group Limited in Levart Limited and the Jamaica Observer Limited.

The asking prices for the Shares in Levart Limited and the Jamaica Observer Limited are \$220,000 and \$250,000 respectively and was communicated to A.T.L. November 6, 2001.

We are presently awaiting a counter proposal from A.T.L.'s, Dr. Jeffrey Pyne who verbally indicated that they do not intend to offer more than \$100,000.00 for each Block of Shares as A.T.L. Group Limited is financing The Observer to the tune of J\$4.75 Million monthly.

In relation to all matters under litigation, we are awaiting a Status Report (current) from Yolande Whitely, Dunn Cox to provide same.

Ms. Whitely has indicated that by Mid February, 2002 the Report would be forthcoming.

We had applied for a waiver from the Ministry of Finance in relation to a \$16.5 Million assessment in penalties and interest charges for Negril Investment Company Limited. The period of assessment is 1994 – 1996

By letter dated December 24, 2001 (received January 9, 2002), from the Ministry of Finance, we have been granted 100% waiver of the penalties, interest and surcharges incurred on the G.C.T. account for the periods December, 1994, December, 1999, December 1996 and November, 1999 – January, 2000.

A copy of this letter is attached to this report for your perusal.

Towards the third week of October, we sent Mr. Delroy Lindsay (former C.E.O. of the Corporate Group of Companies) correspondences outlining a number of issues / proposals.

Mr. Lindsay's response was outlined to Finsac in our October's Monthly Summarised Report.

We await specific instructions from Finsac in order that an appropriate response can be sent to Mr. Lindsay.

In relation to the Llandovery Lands owned by Howard McIntosh/Orion Investments Limited, we are still to receive the relevant documents that were promised to reach us by November 2, 2001. We have decided to have no further contact with Mr. McIntosh until these documents are received.

In relation to the proceeds from the sale of Mr. McIntosh's Rodean Avenue property totaling, approximately \$1.758 Million, Mrs. Andrea Gordon is presently researching an unidentified CABS deposit for a similar amount. Mrs. Gordon has promised to forward the information on the deposit as soon as possible.

There has been no reply to our request for Mr. Peter Standish (Former receiver) to hand over all documents in his possession in relation to the above Companies.

To date, the National Land Agency has not corrected the valuation in relation to taxes for Lot #7 Llandovery. We found that taxes was computed on both Lots #7 and #38 (owned by Author "Tunti" Barrett) jointly and brought this to the attention of the National Land Agency in June, 2001.

In relation to the Llandovery Property, to date Rattray Chang & Associates and the Commissioner of Lands have not sent us the relevant document re Sale of the portion of the property to accommodate the North Coast Highway Project.

All investments on behalf of the Companies under management have been rolled for at least another 30 days at various Financial Institutions.

EAGLE HOLDINGS & INVESTMENTS LIMITED (E.H.I.L.)

The Liquidator's Statement of Account (Receipts & Payments) supported by an affidavit was filed with the office of the Registrar of Companies in mid January, 2002.

The above Statement of Account covered the period December, 2000 to December, 2001 and is a Statutory requirement for Companies that are in Liquidation.

The Office of the registrar of Companies, in relation to the de-listing of Hill Haven Limited and Woodpecker Limited has asked us to re-submit copies of documents that were previously submitted to their offices. We have complied to their request and hope that the companies will be de-listed over the next two (2) months.

Mr. Alok Jain, Partner, Price Waterhouse Coopers, Gregg Dennis and Myself met with Charles Johnston in Mid January, 2002.

We are presently awaiting information that has been requested of Mr. Johnston / Jamaica Fruit & Shipping Company Limited (J.F.S.L.).

It is the view of Mr. Jain that any valuation on J.F.S.L. was like a moving target as there were too many un-quantifiable variables (i.e.) the removal of J.F.S.L. from the Kingston Wharves Stevedoring Contracts and the outcome of the Management Contracts for the Transshipment Port through A.P. Moller.

Mr. Jain has indicated that he will correspond with Mr. Patrick Hylton in relation to the above.

We will be requesting of C.E.L./Finsac to cover the cost of the valuation exercise for J.F.S.L. as with limited cash flow (proceeds from the sale of two (2) properties owned by E.H.I.L.'s subsidiaries totaling \$64 Million were not passed through E.H.I.L.) we are not able to commission this exercise.

Issues relating to the Sale / transfer of Shares that Eagle Insurance Brokers Limited held in Insurance House Limited to General Accident Insurance Company Limited is still outstanding. It is important that execution of the agreement be completed over the next couple of months as to date General Accident is the only General Insurance Company interested in the Shares.

Real Estate directly owned by E.H.I.L. as outlined below remain unsold by Finsac.

1. Carinosa - Townhouse #6
2. 4 Duke Street, Kingston

FIDELITY FINANCE MERCHANT BANK LIMITED (F.F.M.B.)

In relation to the Transfer of Mortgage Loan (Elizabeth Buck) to Victoria Mutual Building Society (V.M.B.S.), Ms. Buck met with the Senior Vice President of Operations of V.M.B.S, Mr. Frank Harrison. The purpose of the meeting was to work out the details of the transfer. The meeting revealed that Ms. Buck could not afford to repay the loan in its current form and Mr. Harrison recommended that the loan be written down in the books of V.M.B.S. at an interest rate of 18%. This information was relayed to the Legal Counsel of V.M.B.S., Mrs. Paulette Francis-Smellie. Mrs. Francis-Smellie informed us that they were in the process of writing to F.F.M.B. informing of the next steps in the process. She indicated that one of the steps would be a request for us to discharge the title and the handing over of all relevant documents.

To date, this letter has not reached Fidelity.

The Liquidator's Statement of Account covering the period July, 1998 to July, 2001 together with the supporting affidavit was filed with the Office of the Registrar of Companies in mid January, 2002.

An offer of \$6 Million has been received for the Ramparts Close property from Carl Erskine, Jamaica Grandiosa Hotel, which is the adjoining property. We await Finsac's response to the offer.

Mr. Keith Scott & Leon Palmer, Attorney-At-Law, (Williams, McKoy, Palmer) has contacted us in December, 2001 in relation to outstanding debts for Premier Limestone Products Limited/Keith Scott. They indicated then that they planned to come to a settlement by the first quarter of 2002.

There has been no enquiries about the 32 Duke Street property over the last six (6) weeks.

In relation to **Suit No. C.L.L. – 010 of 1998** (Leaders Trading Company Limited and Movern Development Company Limited vs Fidelity Finance Merchant Bank Limited) the account or enquiry to be taken by the Registrar or a Judge of the Supreme Court to determine the sums due to the plaintiff, if any, is still to get started

Mr. Alston Stewart has still not settled the indebtedness of his Brother, Laureston Stewart. We are trying to meet with Mr. Stewart in order to reach an agreement for the settlement of the loan

Our Brokers, Alpha Financial has recently indicated that the Sale of the Caribbean Cement Company Shares held by Fidelity has not been concluded

It is our intention to Wind-up the affairs of Fidelity Finance Merchant Bank in August, 2002, 48 months after the liquidation process started.

To achieve this stated objective, the matters outlined below will have to be addressed and discussed with Finsac / F.I.S.

1. The sale of the office complex at 32 Duke Street or the assignment of the asset to another entity;
2. The assignment of all outstanding law suits to another institution (but with the clear understanding that the assignee will be entitled not only to the benefit of affirmative judgements, but also the burden should they be adverse);
3. The assignment of all outstanding receivables to another entity; and,
4. The endorsement of the Creditors in respect of the assignments and transfers.

MISCELLANEOUS

The Finsac Intervention Chart was completed and submitted to Finsac in Mid January 2002. We are presently adjusting the Chart (deletions/sales) in order to short the Current Status. This new Chart will be presented to Finsac the first week in February 2002.

In relation to the Prudential Client Statement showing an encashment of US\$140,549.00, we have been informed by Finsac that the Funds belonged to RBTT Bank. To date, we do not know whether or not it was RBTT Bank or an unauthorized third party who withdrew the stated funds.

Please be reminded that insolvency appointments in relation to **Dyoll Life Limited** and **CMB Investments Limited** remain unresolved.

Please find attached for your review, the current status on outstanding issues in the Corporate Group of Companies.

Ken Tomlinson

February 1, 2002



Business Recovery Services Limited

32 Duke St. Kingston, Tel: (876) 967-3000-1, Fax: (876) 967-0756

April 2, 2002

APR 03 2002

Mrs. Audrey Robinson
General Manager
Asset Management & Divestment Unit
Finsac Limited
76 Knutsford Boulevard
Kingston 5

Dear Mrs. Robinson:

**Re: CORPORATE GROUP LIMITED and Subsidiaries (In Receivership),
FIDELITY FINANCE MERCHANT BANK LIMITED & EAGLE HOLDINGS
AND INVESTMENTS LIMITED (In Voluntary Liquidation)**

Attached, for your perusal, is a copy of the Monthly Report (Summarised) regarding the captioned Companies for March 2002.

Yours truly,

Ken Tomlinson
C.E.O.

Cc: N. Patrick McDonald – C.O.E., Finsac
Dolsie Allen – Manager (Liquidations)

Directors: Kenneth Tomlinson (Managing Director), Gregg Dennis, Harry Abrikian, Pamela Neilson
Ann-Marie Thompson

MONTHLY SUMMARISED REPORT

April 1, 2002

**RE: CORPORATE GROUP LTD AND SUBSIDIARIES
FIDELITY FINANCE MERCHANT BANK LIMITED
EAGLE HOLDINGS AND INVESTMENTS LIMITED**

**CORPORATE GROUP LIMITED, FRIENDS GROUP LIMITED AND
CORPORATE LIFE INSURANCE COMPANY LIMITED**

In relation to the Northern Coastal Highway Improvement Project's Land Acquisition of part of Llandovery, the National Land Agency is unable to locate the plan deposited at the Office of Titles with DP#8582 in respect of the lands that were taken from Volume 1243, Folio 718.

Because the development has not materialized, we have requested our Attorneys to de-register from the Title above Transfer No. Misc.920314 in relation to the sub-division, in order that the issues with the National Land Agency can be resolved.

As our investigation into the existence of the two (2) US Dollar Accounts at Citibank in the names of Sea Castles Hotel Limited and Point Village Hotel Limited continue, we recently wrote to John Jackson (Director of both Companies) seeking his assistance in closing the accounts mentioned. Mr. Jackson has since laid claim to the US\$ Accounts, although we have pointed to the fact that Friends Group Limited had over J\$200 Million in liabilities on behalf of these two (2) Hotels.

We have contacted the signatories to the above accounts and they have agreed to assist in the closing of the accounts and paying the proceeds over to Friends Group Limited (In Receivership).

The signatories to the above accounts are Delroy Lindsay, Austin Daley and Roderic Crawford.

It is our feeling that the funds from the US\$ accounts were not included in Friends Group Limited's revenues, as during the 1996/1997 period overdrafts in excess of \$200 Million were taken on the local Jamaican Dollar current accounts for both hotels.

Documents have been sent to Mr. Delroy Lindsay, through DHL, to execute the authorization for the closure of the accounts. As soon as we receive the documents from Mr. Lindsay, they will be forwarded to the other signatories for their execution.

In relation to the sale of the Llandoverly Property we have requested that the revised offer of J\$38 Million that was submitted by New Era Homes (2000) Limited on March 13, 2002 and which was subsequently rejected by Finsac, be revisited because of an acute shortage of water in the Llandoverly area.

We have submitted to Finsac, copies of correspondence from the National Water Commission to substantiate same.

All outstanding taxes in relation to the Llandoverly property were settled on March 22, 2002 with the Inland Revenue Department.

Mr. Peter Standish, former Receiver for the Corporate Group of Companies was in the Island between March 25 and 27, 2002. We met with Mr. Standish twice over the three-day period. It is our understanding that Mr. Standish met with the DPP Office in relation to the Criminal aspects of the Friends Group Share Issue matter and with representatives of Dunn Cox, in relation to the civil aspect of the above case.

As was reported in our previous report, over the last couple of weeks, we have again been having numerous requests from shareholders of Friends Group Limited for information regarding the receivership. We have responded to each of these requests and have advised these shareholders that formal communication will be released as soon as the Llandoverly property is sold.

In relation to the deregistration of Negri Investments Limited and Negri Holdings Limited, the Office of the Registrar of Companies has requested that we resubmit copies of documents previously filed with the Registrar.

We have complied with this request and should receive the documents on the deregistration within the next six (6) weeks.

Finsac gave approval November 11, 2001 for the Sale of Shares held by Corporate Group Limited in Levan Limited and the Jamaica Observer Limited.

The asking prices for the Shares in Levan Limited and the Jamaica Observer Limited are \$220,000 and \$280,000 respectively and was communicated to A.T.L. November 9, 2001.

We are presently awaiting a counter proposal from A.T.L.'s Dr. Jeffrey Pyne who verbally indicated that they do not intend to offer more than \$100,000.00 for each Book of Shares as A.T.L. Group Limited is financing The Observer to the tune of \$4.75 Million monthly.

In February 2002, we received a Demand Notice from the Inland revenue Department in relation to outstanding GCT for Corporate Group Limited. The liability totals approximately \$7 Million and is for the period prior to take over of the Group by Finsac in March 1998. It is our understanding that this claim by the Inland Revenue Department is the liability of the responsible party assigned to Corporate Group prior to 1998. We have been informed by former employees of Corporate Group Limited that the responsible party is Delroy Lindsay.

Towards the third week of October, we sent Mr. Delroy Lindsay (former O.E.O. of the Corporate Group of Companies) correspondence outlining a number of issues/proposals.

Mr. Lindsay's response was outlined to Finsac in our October's Monthly Unfinalised Report.

We await specific instructions from Finsac in order that an appropriate response can be sent to Mr. Lindsay.

In relation to the Handover Lands owned by Howard McIntosh/Orion Investments Limited, we are still to receive the relevant documents that were promised to reach us by November 2, 2001. We have decided to have no further contact with Mr. McIntosh until these documents are received.

All investments on behalf of the Companies under management have been rolled for at least another 30 days at various Financial Institutions.

EAGLE HOLDINGS & INVESTMENTS LIMITED (E.H.I.L.)

Real Estate directly owned by EHIL, namely; 4 Duke Street and Carinosa, Town House #6 remain to be sold by Finsac.

It has recently come to our attention that the 4 Duke Street property is packaged with other Finsac properties for Sale "En-Block".

All funds in relation to the sale of properties are not passed through EHIL by Finsac/CEL.

We recommend that EHIL's Share Ownership in Jamaica Fruit & Shipping be transferred to F.I.S. as soon as possible to facilitate the winding up of EHIL, as EHIL does not have the resources to undertake the cost of the valuation exercise to be done by Price Waterhouse Coopers.

Mr. Alok Jain, Price Waterhouse Coopers, has recently indicated that he has been in contact with Mr. Patrick Hylton and has doubts whether or not a valuation on JFSL would be feasible at this time.

The Office of the Registrar of Companies in relation to the de-listing of Hill Hays Limited and Woodpecker Limited has asked us to re-submit copies of documents that were previously submitted to their offices. We have complied to their request and hope that the companies will be de-listed over the next two (2) months.

Issues relating to the Sale / transfer of Shares that Eagle Insurance Brokers Limited held in Insurance House Limited to General Accident Insurance Company Limited is still outstanding.

Mid February 2002 a Transfer of Departure Form from the Insurance House Limited was forwarded to Finsac. We have been advised that as soon as the assessment is done by the Stamp Duty & Transfer Tax Department the information will be sent to us.

It is important that execution of the agreement be completed over the next couple of months as to date General Accident is the only General Insurance Company interested in the Shares.

FIDELITY FINANCE MERCHANT BANK LIMITED (F.F.M.B.)

Mr. Patrick Tucker, former General Manager of Fidelity and Preference Shareholder, has again made claims on Fidelity in relation to the settlement of his preference shares.

Copies of all documents in relation to the above issue has been forwarded to Mr. Patrick Hylton.

Our position continue to be that Mr. Tucker is only entitled to a settlement out of surplus assets of the Company which is very remote at this time.

✓We recently discharged the Mortgage of Richard Oliver Carnegie, whose loan was repaid some time ago.

We are presently awaiting a letter of Undertaking from the National Commercial Bank in relation to the loan outstanding by Kenneth Beckles.

All documents in relation to a loan granted to Canute McFarlane has been reviewed. Other than Mr. McFarlane's personal guarantees, there is no other security that can be relied on to settle the loans of over J\$3 Million. We have therefore decided to file suit against Mr. McFarlane to recover amounts outstanding to the Bank.

In relation to the Transfer of Mortgage Loan (Elizabeth Buck) to Victoria Mutual Building Society (V.M.B.S.), we have not had any recent communication with ✓MBS. It is our intention to cancel the intended transfer if it is not concluded within the next four weeks, as fourteen months have now passed since this exercise started.

A revised offer of \$6.625 Million has been received for the Ramparts Close property from Carl Erskine, Jamaica Grandiosa Hotel, which is the adjoining property. We await Finsac's response to the offer.

Mr. Keith Scott & Leon Palmer, Attorney At Law, (Williams, McKay, Palmer) has contacted us in December 2001 in relation to outstanding debts for Premier Limestone Products Limited/Keith Scott. They indicated that they planned to come to a settlement by the first quarter of 2002.

An identification report was recently done for the property, which is located in the hills of St. Catherine.

We recently received an offer of \$7 Million for the 32 Duke Street property from Jennifer Messado & Co. representing Delroy & Diana Yee-Sang. We await Finsac's response to the offer.

In relation to Suit No. C.L.L. - 010 of 1998 (Leaders Trading Company Limited and Modern Development Company Limited vs. Fidelity Finance Merchant Bank Limited) the account or enquiry to be taken by the Registrar or a Judge of the Supreme Court to determine the sums due to the plaintiff, if any, is still to be started.

Mr. Alston Stewart has still not settled the indebtedness of his Brother, Laureston Stewart. We will shortly be seeking an identification report in order that the property can be valued in preparation for sale.

Our Brokers, Alpha Financial has recently concluded the Sale of the Caribbean Cement Company Shares held by Fidelity.

It is our intention to Wind-up the affairs of Fidelity Finance Merchant Bank in August 2002, 48 months after the liquidation process started.

To achieve this stated objective, the matters outlined below will have to be addressed and discussed with Finsac/ F.I.S.

1. The sale of the office complex at 32 Duke Street or the assignment of the asset to another entity.

2. The assignment of all outstanding law suits to another institution (but with the clear understanding that the assignee will be entitled not only to the benefit of affirmative judgements, but also the burden should they be adverse).

3. The assignment of all outstanding receivables to another entity and.

4. The endorsement of the Creditors in respect of the assignments and transfers.

MISCELLANEOUS

The Finsac Intervention Chart with adjustments as per Liquidations, Sales and Deletions has been completed in-house showing the current status of companies under Finsac's control.

The investigation in respect of the Loan documents for the Ebony View Loans should be concluded within the next three weeks.

The Orange Bay Estate investigation has been concluded with an identification report (including photographs) sent to Finsac in early March 2002.

Please find attached for your review, the current status on outstanding issues in the Corporate Group of Companies.

Ken Tomlinson

April 2, 2002

**FRIENDS GROUP /CLICO/CORPORATE GROUP LTD.
STATUS REPORT -MARCH 2002**

	ASSIGNMENT	CURRENT STATUS
1	Friends Group Ltd. US\$ accounts at Citibank.	Discussions held with John Jackson, Director of Seacastles Hotel Ltd. and Point Village Resorts Ltd as well as Delroy Lindsay. Authorisation to close the accounts to be received from Delroy Lindsay and the other signatories by the first week of April.
2	Deposit for Howard McIntosh of approximately \$1.7 million, being balance of proceeds from the sale of his house.	Lorna McDonald, former Finsac employee, is to investigate on behalf of Joslin Ltd. who have claimed the deposit.
3	Standish re handing over of documents.	Meeting held with Peter Standish 18/3/02. No documents forthcoming.
4	Civil Suits re Delroy Lindsay, Howard McIntosh et al.	Peter Standish met with Yolande Whitely and John Vassell of Dunn Cox to continue process.
5	Sale of the Shares in the Jamaica Observer Ltd. and Levart Ltd.	Dr. Jeoffery Pyne, A.T.L. has not yet sent the counter-offer that was promised for early February.
6	Identification and disposal of assets in the entities.	Ongoing.
7	Requests have been made to the Registrar of Companies for the deregistration of the Friends Group Subsidiaries.	The Registrar of Companies has requested copies of documents previously filed. Re-submitted and awaiting response.
8	Sale Agreement re sale of part of Llandoverly lot belonging to Howard McIntosh/Orion Investments Ltd. to the Government of Jamaica.	Correspondence received from the National Land Agency re Sales Agreement.
9	Sale of portion of Llandoverly land to Government for the North Coast Highway project. Being handled by Commissioner of Lands (National Land Agency).	National Land Agency has advised that the sale Agreement is being held up as the legitimacy of the sub-division titles is being investigated.
10	Sale of Llandoverly hotel and condominium site (Lot #7).	Revised offer of \$38M received from New Era Homes 2000 Ltd. was rejected. Brief done to Finsac to revisit the offer based on the unavailability of water in the Llandoverly area.
11	After the above issues have been dealt with, all activities in respect of CLICO, Corporate Group Ltd. and Friends Group Ltd. will be held in abeyance pending the outcome of matters under litigation.	Peter Standish & Denis Lawrence met with the DPP, Kent Pantry and his Assistant, Brian Sykes re the Share Issue litigation during week-ending 22/3.

Tomlinson/Neilson
March 28, 2002