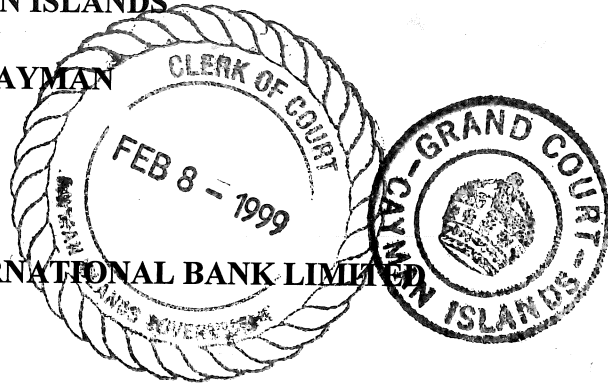


IN THE GRAND COURT OF THE CAYMAN ISLANDS

HOLDEN AT GEORGE TOWN, GRAND CAYMAN

CAUSE NO **85** OF 1999

IN THE MATTER OF FEDERATED INTERNATIONAL BANK LIMITED  
(FEDEBANK)



AND IN THE MATTER OF THE COMPANIES LAW (1998 REVISION)

TO:           **The Grand Court of the Cayman Islands**  
                  **George Town, Grand Cayman**

## **WINDING UP PETITION**

THE PETITION OF THE GOVERNOR-IN-COUNCIL OF THE CAYMAN ISLANDS

1. FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK) ("the Licensee"), was registered as a company on 21 December 1989. It was originally registered as BANCOOP INTERNATIONAL LIMITED and was by Special Resolution dated 9 July 1992 changed to FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK). The Certificate of Change of Name was issued by the Registrar of Companies on 10 March 1993.
2. According to the Memorandum of Association, the Registered Office of the Licensee is located at Natwest House, PO Box 707 Grand Cayman. The Registered Office is now c/o Caledonian Bank & Trust Limited, PO Box 1043, George Town, Grand Cayman.

3. The authorised share capital of the Licensee is US\$5,000,000.00 divided into 25,000 shares of a nominal or par value of US\$200.00 each.
4. The issued share capital of the Licensee is US\$2,102,000.
5. The Licensee is a Cayman Islands bank which holds a licence under the Banks and Trust Companies Law (1995 Revision) ("BTCL"). It is wholly owned by Federacion Nacional de Cooperativas de Ahorro y Credito de Costa Rica, R.L.(FNCA), a group of Costa Rican cooperatives in the financial sector. FNCA is also the sole shareholder of a Costa Rican bank called Banco Federado, R.L. which is in "Intervention" in Costa Rica.
6. The objects for which the Licensee was established are to carry on the business of banking and other objects stated in the Memorandum of Association.
7. On or about the 6 October 1998, the Governor-in-Council, having formed the opinion that the Licensee appeared likely to become unable to meet its obligations as they became due and might be carrying on business in a manner detrimental to the public interest, the interests of depositors and of its creditors, issued a directive to the Licensee, pursuant to section 14(1)(ii) of the BTCL, restricting the Licensee from all further dealings without the prior agreement or consent of the Cayman Islands Monetary Authority.
8. Pursuant to section 14(1)(v) of the BTCL, the Acting Governor-in-Council, having been of the opinion that the Licensee was or appeared likely to become unable to meet its obligations as they fell due, and was carrying on business in a manner detrimental to the public interest, the interests of its depositors or the beneficiaries of any trust, or other creditors, issued a directive on or about 2 November 1998 appointing Messrs. Roy M McTaggart and Frederico A Golcher, chartered accountants of the firm of KPMG of the Cayman Islands and Costa Rica respectively as Controllers to assume control of the Licensee's affairs.

9. On application of the Governor-in-Council pursuant to section 14(1)(v) of the BTCL, the Grand Court of the Cayman Islands, by Order made on the 6 November 1998, sanctioned the appointment of the Controllers and delimited the scope of their powers to be *mutatis mutandis* those of a person appointed as a receiver or manager of a business appointed under section 18 of the Bankruptcy Law (Revised)
10. Consistent with the terms of the directive of the Governor-in-Council appointing Messrs. McTaggart and Golcher as Controllers, said Controllers have prepared and submitted a First Report (“the Controllers First Report”), a true copy of which is annexed hereto.
11. Attached to the Controllers First Report as Exhibit VII are financial statements produced by the Licensee as at 30 September 1998. The financial statements have been reviewed by Despacho Lara Eduate, S.C. and their report is dated 4 November 1998. In that report they express their opinion that the Licensee is under financial difficulties which compromise its ability to continue as a going concern.
12. After submitting their report and in the absence of any assets within the jurisdiction, on 17 December 1998 the Controllers resigned pending consideration of the recommendations in their report.
13. On 5 January 1999 your Petitioner, acting on a recommendation of the Controllers First Report which was supported by the Cayman Islands Monetary Authority, revoked the Licensee’s licence pursuant to section 14(1) and 14(4)(d) of the BTCL. On 2 February 1999 the Petitioner authorised an application to this Honourable Court for an Order that the Licensee be forthwith wound up pursuant to the provisions of Part V of the Companies Law (1998 Revision).
14. The Petitioner now presents this Petition pursuant to section 14(4)(d) of the BTCL for an Order that the Licensee be forthwith wound up by this Honourable Court.

The Petitioner therefore PRAYS as follows:-

- (1) that Federated International Bank Limited (FEDEBANK) be wound up by the Court under the provisions of Part V of the Companies Law (1998 Revision); and,
- (2) that such further or other orders may be made as the Court thinks fit.

DATED this *5th* day of *February* 1999

*David F. Ballantyne*

DAVID F BALLANTYNE  
ATTORNEY-GENERAL

TO: The Clerk of the Court

AND TO: Federated International Bank Limited (FEDEBANK)

This Petition having been presented to the Court on the        day of        1999, will be heard at the Law Courts, George Town, Grand Cayman at        o'clock in the fore/afternoon on the day of        1999 or so soon thereafter as the Petition can be heard.

Filed by the Attorney-General for and on behalf of the Governor-in-Council whose address for service is Government Legal Department, 4th Floor, Tower Building, George Town, Cayman Islands, BWI.

**KPMG**

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**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK**

**CONTROLLERS' FIRST REPORT**

**NOVEMBER 1998**

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

**APPOINTMENT**

Roy McTaggart of KPMG Cayman Islands and Federico Golcher of KPMG Costa Rica were appointed as Controllers of Federated International Bank Limited (FEDEBANK) ("Fedebank") on November 2, 1998. *See Exhibit I for the terms of their appointment.*

Under the terms of the Directives the Controllers were to have all the powers of a person appointed as a receiver or manager of a business appointed under Section 18 of the Bankruptcy Law (Revised).

In this regard the Legal Department and the Controllers applied to the Grand Court of the Cayman Islands for specific powers to enable the Controllers to perform their duties under the Directives. *The Ex Parte Order is attached as Exhibit II.*

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

**BACKGROUND**

Fedebank is a Cayman Islands bank that is wholly owned by Federacion Nacional de Cooperativas de Ahorro y Credito de Costa Rica, R.L. (FNCA) a group of Costa Rican co-operatives in the financial sector. FNCA is also the sole shareholder of a Costa Rican bank called Banco Federado, R.L. which is in Intervention in Costa Rica.

We understand that a restructuring arrangement is being implemented for Banco Federado to merge with Banco Cooperativo Costarricense, RL ("Bancoop") . Furthermore we understand that the regulators in Costa Rica have publicly stated that they have no jurisdiction over Fedebank and Fedebank is not to be included in the arrangement. There appears to be some public resentment against this position.

We understand that the FNCA group including Fedebank have been experiencing difficult economic conditions for some time. These financial difficulties were recently brought to a head for Fedebank when depositors withdrew US\$6.5m in a single month following the default of another co-operative financial institution. This created unsustainable liquidity problems for Fedebank.

As a result of this adverse financial position the creditors of Fedebank took steps to place Fedebank into a trust arrangement, with Bancoop being the trustee on October 29, 1998. We understand that this type of winding up arrangement is not expressly prohibited under Costa Rican law but may be contested once a formal bankruptcy claim is filed.

However this arrangement was proposed to the Monetary Authority on October 6, 1998 by Pablo Cruz, the Managing Director of Fedebank. In response the Governor issued Directives on October 6, 1998 (*See Exhibit III*) which included a directive stating that Federated should, inter alia:

*"... refrain from .....Undertaking any other business whatsoever without the prior agreement of the Cayman islands Monetary Authority"*

FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

CONTROLLERS' FIRST REPORT

Furthermore in a letter dated October 9, 1998 the Monetary Authority clearly stated that they did not wish Federated to enter into an arrangement of this type.

*"The Monetary Authority is particularly concerned that the arrangements being contemplated for the liquidation of the bank are in breach of the Governing laws of the Cayman Islands."*

We assume that this response was largely due to the transaction being in contravention of the body of statute dealing with liquidations and specifically void under Section 168 (3) of the Companies Law (1998 Revision). *Any conveyance or assignment made by any company of all its estate and effects to trustees or for the benefit of all or any of its creditors shall be void to all intents.* Provisional Preference

However we understand that Federated and its creditors entered into a trust arrangement in breach of this directive on October 29, 1998. *Under section 20 QTL - fine of \$10,000 and imprisonment of one year.*

*The Creditor's Agreement*

On October 2, 1998, the officers and management of Fedebank and its creditors, acting through a special de facto five-member committee, executed an agreement in connection with the repayment of Fedebank's obligations. The principal issues in this agreement are the following:

- Fedebank submits for the benefit of its creditors all its assets, including intangible assets, and liabilities and agrees to transfer them to an irrevocable trust ("the Trust");
- The Trust shall not recognise as liabilities and shall not make any payment obligations to FNCA or its subsidiaries, including Banco Federado, R.L.;
- The Trust will attempt to collect all of Fedebank's amounts receivable with its parent company, FNCA
- The Trust will pay the "back to back" operations, based on a case by case analysis and the recommendations of the creditor's committee [We understand that these are fully collateralised loans that give the lender the right to offset claims against the pledged

*Who are the creditors? Who are the members of the committee?*

*What are the terms of the agreement? Not a contract? Is it enforceable?*

FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

CONTROLLERS' FIRST REPORT

collateral, normally a highly liquid security. The transactions are used for aggressive tax structures. We have not performed any investigations of them to date];

- The Trust will deliver to all international banks, with which Fedebank carried out international operations, the documentation for the funds paid by them in circular financing arrangements with the prior approval of the Creditor's committee. Any international banking institutions that entered into valid commercial transactions and actually made loans to Fedebank shall be treated as ordinary creditors;
- Assuming that there are sufficient available liquid funds, the Trust will repay 50% of all creditors under US\$ 18,000. This advance payment will be offered to all creditors and will only be paid on their concurrence with the arrangement. The remaining 50% shall be paid on a pro rata basis along with distributions to the other creditors who declined advance payment, once such other creditors have received at least 50% of their credits;
- The creditors agree to form a creditors' committee which shall oversee and collaborate with the compliance of this agreement and serve as advisor to the Trust's trustee;

*Trust Agreement*

Based on the commitments and covenants contained in the Creditors' Agreement, on October 29, 1998, Fedebank executed a Trust Agreement with Bancoop, acting as Trustee. *See Exhibit IV.* Therefore, all of Fedebank's assets, including intangible assets such as the banking license, and liabilities were set aside in trust for the benefit of its creditors.

Besides those matters previously addressed in the Creditor's Agreement, the main features of the Trust Agreement are the following:

- The creditor's special committee becomes the Trust's special committee;
- Once the Trustee has valued the entrusted assets and liabilities, it shall issue negotiable Certificates of Beneficial Interest in the Trust and allocate them among Fedebank's creditors.

## FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

### CONTROLLERS' FIRST REPORT

This will be done within two months of the announcement of the creation of the Trust. Each beneficial interest in the Trust would be proportionate to each creditor's credit. All transfers of Certificates of Beneficial Interest must be authorised by the Trust's special committee, which shall maintain a registry of beneficiaries;

- Fedebank, along with Fedecredito, are bound to make additional future contributions to the Trust [Fedecredito is named as a "secondary trustor" for the Trust. However, the nature of this role is not clear in the terms of the Agreement], provided such future contributions are approved by the Trust's special committee;
- Fedebank is solely responsible for funding severance pay to its employees and settling all professional fees owed to its outside advisors. Therefore, Fedebank shall hold the Trust harmless of any actions or claims initiated therefor [It is unclear how Fedebank will fund such obligations if all assets have been transferred to the trust];
- The Trustee, upon the Trust's special committee's request, shall call for general creditor's meetings. In such meetings, resolutions must be approved by simple majority (50% plus one vote) of those attending the meeting. Creditors may cast personal votes as well as capital votes (one vote for each U.S. dollar owed thereto). Once Certificates of Beneficial Interest have been distributed, votes would be cast in accordance with each creditor's proportional interest in the Trust fund;
- The creditors have the duty of informing governmental authorities in Grand Cayman as to the business of the Trust. They are also authorised to request and obtain all authorisations and requests necessary for the sale or transfer of Fedebank's banking license.
- The Trust's special Committee can retain accounting firms, for the account of the Trust, to audit the Trustee's annual reports;
- Trusteeship fees:
  - US\$ 7,500 a month for the first six months;

## FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

### CONTROLLERS' FIRST REPORT

- After the first six months, the greater of 0.0375% per annum over the Trust's total assets, or US\$ 7,500 per month;
  - US\$ 4.00 per every US\$ 1,000 of collected accounts receivable, with the exception of "back to back" operations and those related to Fedecredito and subsidiaries;
  - In case the Trust is terminated within three months of its creation, the Trustee shall be entitled to a three-month fee;
  - All costs and expenses incurred by the Trustee in furtherance of the Trust's purpose shall be borne by the Trust, provided such costs and expenses have been previously approved by the Trust's special committee.
- The Trust shall not come to effect until it is ratified by Fedebank's meeting of creditors and all assets and liabilities are duly transferred to the Trustee.
  - The Trust is created for a term of one year, as of the date of its execution; and shall be automatically extended for consecutive one year terms, absent a 30-day advance termination notice by any of the parties. The Trust can also be terminated by mutual agreement between the creditor's special committee and the Trustee.
  - The Trust is governed by the laws of the Republic of Costa Rica;
  - Any conflict between the parties that arises in connection with the Trust shall be resolved by arbitration before the Costa Rican Chamber of Commerce;

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

**ACTIONS TO DATE**

**Cayman Islands**

We attended the offices of Caledonian Bank and Trust to review the statutory books and records of Federated. There were very limited financial books and records largely being restricted to the annual financial statements and quarterly returns. The last quarterly return was for June 30, 1998.

From the date of our appointment we have liaised with the Legal Department to keep them apprised of all legal developments. In particular we have sought their assistance in having the Cayman Islands Court Order certified to ensure effective in Costa Rica. This process has been rendered problematic by the lack of a Costa Rican Consul in Cayman. In addition the Costa Rican Consul in Jamaica is a new appointment who does not have jurisdiction over the Cayman Islands to date.

In order to surmount these difficulties we have had to have the Cayman Islands Court Order certified by the Honorary Jamaican Consulate to the Cayman Islands. On completion the document was sent to the Jamaican Government in Jamaica for verification and then onto the Costa Rican Consul in Jamaica. The Order has recently been certified by the Costa Rican Consul and is being returned to the Cayman Islands. On receipt it will be forwarded to Costa Rica to be presented to the Supreme Court.

We understand that the order needs to be approved by the Supreme Court in Costa Rica before it can be enforced in that jurisdiction.

We have been in close contact with Neville Grant at the Cayman Islands Monetary Authority to keep him informed of developments in our investigations.

We have been in regular contact with our office in Costa Rica to ascertain their progress and comment on the implications of developments in Costa Rica from a Cayman Islands perspective.

## FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

### CONTROLLERS' FIRST REPORT

#### Costa Rica

We have been unable to gain access to the financial books and records of Federated nor control of the assets but have taken the following actions:

#### *Creditors' meeting*

We attended the Creditors' meeting that was held on November 10, 1998. The meeting was advertised in a national newspaper. Approximately one hundred and fifty people attended the meeting and the following issues were discussed:

The meeting was addressed by Pablo Cruz, who put forth an explanation of Fedebank's current financial situation. He stated that following the insolvency of another co-operative financial institution, Coovivienda, R.L., panicked depositors withdrew US\$6,500,000 in deposits over a thirty day period that had exacerbated the problems at Fedebank.

Pablo Cruz explained that Fedebank had taken the following actions:

- Sought legal advice to establish a provisional plan to pay creditors;
- Executed the Creditor's and Trust Agreements;
- Was continuing to conduct negotiations for the sale of, or injection of additional capital to, Fedebank. He outlined three alternatives:
  - Adago Unicredit Financing, a Mexican-Cuban group had expressed its interest in acquiring Fedebank;
  - A private foundation, identified as Fundación Americana, was also interested in purchasing Fedebank;
  - A capitalisation by an unidentified English institution.

The meeting of creditors elected two additional members to the Trust's special committee.

FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

CONTROLLERS' FIRST REPORT

No formal vote was taken to approve or ratify the Trust Agreement.

After the meeting the creditors voiced the following concerns:

- The creditor's committee expressed their conviction that a liquidation was not the proper solution to Fedebank's problems. Therefore, they had opted for the creation of the Trust as a mechanism for orderly payment of all of Fedebank's obligations;
- All the shares representing Fedebank's share capital should also be entrusted in order to guarantee that the proceeds of its sale would benefit the creditors;
- Fedecredito should be held severally liable so as to cover any outstanding balance of Fedebank's obligations once the Trust had liquidated the Trust fund;
- Some creditors claimed that they had not deposited their funds with Fedebank but rather with Banco Federado. To this claim, officers of Fedebank responded that since the deposits were made in U.S. dollars the funds were placed with Fedebank rather than Banco Federado. They acknowledged that a miscommunication could have occurred at the time of deposit;
- Finally, creditors also voiced their concerns regarding the identity of those depositors that withdrew their deposits during the thirty-day bank period preceding the Trust arrangement and if there were any affiliated co-operative entities among them.

*Meetings with Creditors' committee*

We met with members of the Creditor's committee on two occasions. Our first meeting was on November 10, 1998, prior to the meeting of creditors. At that meeting, two members of the committee explained that they had needed to act swiftly since there was an impression that the regulatory authorities were not taking responsibility for the affairs of Fedebank. In addition there were some concerns of a minority creditor initiating some criminal proceedings which might have seized the records of Fedebank effectively freezing all operations.

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

They expressed their satisfaction that now the Cayman Islands authorities had taken action to appoint Controllers. However, they believed that the Controller's role and that of the Trust were similar but they preferred to operate through the Trust. They stated their desire to reach a compromise arrangement in which both the Controller and the Trustee could operate.

Our second meeting was on November 11, 1998, after we had advised Fedebank's officers not to surrender the documentation related with the entrusted assets and liabilities. During that meeting, the creditors' special committee voiced their concern that the Trust arrangement would not be complied with and requested an adjournment to confer with its advisors. No further communication or contact has since been made.

*Correspondence and communications with Fedebank's officers*

On November 11, 1998, we delivered a letter to Pablo Cruz and Mario Vargas, officers of Fedebank, formally notifying them of our appointment as Controllers, relieving them of any authority and requesting the delivery of all of Fedebank legal and accounting documentation. *See Exhibit V.* We emphatically advised them that they did not possess adequate authority to deliver any documentation to Bancoop or the Trust.

Thereafter, on November 19, 1998, Messrs. Cruz and Vargas delivered a response to our letter. *See Exhibit VI.* In their letter they stated, inter alia, the following:

- They expressed concern with the Monetary Authority's appointment of Controllers for Fedebank since Pablo Cruz had met with Cayman Island's officials and explained the Trust arrangement in detail and had received verbal authorization to proceed;
- They requested the Controllers to request the following of the Cayman Islands' Monetary Authority:
  - That the Trust arrangement be ratified and approved;

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

- That the Controllers participate in the Trust as an observer for the Monetary Authority and that all costs and expenses incurred therefor be assumed by the Monetary Authority;
- That all necessary actions be taken to implement the Trust arrangement with Bancoop;
- That the Controllers remain in place to inform the Monetary Authority of the development of the Trust and not limit the economic interest of creditors.

FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

CONTROLLERS' FIRST REPORT

ALTERNATIVES

From the information above it is apparent that exercising our powers as Controllers of this entity involves a complex and cumbersome process. Due to the different legal jurisdictions the problems encompass an array of legal issues involving questions of jurisdiction, enforcement, accountability and process. The various parties in Costa Rica, in apparent unity, consider the appointment of the Controllers to be an expensive and unnecessary parallel process with that taking place in Costa Rica.

However they are apparently ignoring the basic premise that Federated is a Cayman Islands bank and as such is subject to the laws and regulatory authorities of the Cayman Islands.

We consider that there are three main alternatives for the Monetary Authority:

1. Allow the Trust arrangement to remain in place with Bancoop as trustees, the existing Controllers to remain in place and request details of the Trustees investigation into the affairs of Federated in order to monitor an orderly winding up.

This option is unattractive since the Trust arrangement is illegal under Cayman Islands law, it places the Controllers in an impossible position unable to perform their duties and it is possible that all areas of investigation will not be objectively pursued.

2. The Monetary Authority could remove the Controllers and allow the Trust arrangement to remain in place. This alternative is based on a pragmatic and possibly cost effective option that recognises that the assets and related parties are based in Costa Rica and the process could best be resolved under Costa Rican law.

This alternative is unattractive since it could convey a very poor image of regulation in the Cayman Islands. There are already indications that some of the creditors are concerned that the matter is not being addressed by the local regulators. A distant approach could be misinterpreted by some as disinterest on the part of the Cayman authorities.

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

3. Apply to the Cayman Islands Court to have Federated placed into Provisional Liquidation.

This would have the benefit of increasing the probability that the Provisional Liquidators would be able to take action in Costa Rica once all the statutory procedures were completed. Given the difficulties encountered by the Controllers to have their authority recognised in Costa Rica there can be no certainty that the Provisional Liquidation order will be recognised in Costa Rica. However we have received Costa Rican legal advice that indicates that there is a considerably higher probability that a liquidation order would be recognised.

However a disadvantage of this alternative is that it would mean that Federated's banking license could be further jeopardised.

**FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)**

**CONTROLLERS' FIRST REPORT**

**FINANCIAL POSITION AS AT SEPTEMBER 30, 1998**

Attached to this report as Exhibit VII are the latest financial statements produced by Federated as at September 30, 1998. The financial statements have been reviewed by Despacho Lara Eduate, S.C. and their report is dated November 4, 1998.

In the opinion of Federico Golcher the financial statements contain serious technical flaws including inadequate disclosure, the omission of basic financial information and do not define the period for the statement of results. In addition there is limited reference to, or details of, the current financial difficulties facing Federated especially with regard to the Trust arrangement.

We have performed no verification work on these financial statements and make no representations as to their accuracy or correctness. We have enclosed them with this report for information purposes only.

FEDERATED INTERNATIONAL BANK LIMITED (FEDEBANK)

CONTROLLERS' FIRST REPORT

INDEMNITY

As you will probably be aware we requested an indemnity from the Monetary Authority on November 5, 1998 due to our concerns over our being able to exert our authority over the affairs of Federated.

We have continued to pursue control of Federated in accordance with the term of the Directives issued by the Governor in Council in the absence of a satisfactory indemnity. We have acted in good faith and have attempted to obtain sufficient information to enable the regulatory authorities to make an informed decision as to what further action to take.

At this stage we strongly request that we are provided with the indemnity in the format provide to Neville Grant with our letter dated November 5, 1998. *See Exhibit VIII.* Without such indemnity we will be forced to consider whether we can continue to act.

---

Roy McTaggart

Controller

Dated this 26<sup>th</sup> day of November 1998 in George Town, Grand Cayman.

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**The Banks and Trust Companies Law (1995 Revision)**

**DIRECTIVES TO CONTROLLER**

**Pursuant to Section 14(1) (v) of the Banks and Trust Companies Law (1995 Revision)**

WHEREAS

- (a) The Acting Governor in Council, being of the opinion that the licensee, Federated International Bank Limited (FEDEBANK) is or appears likely to become unable to meet its obligations as they fall due and is carrying on business in a manner detrimental to the public interest, the interest of its depositors or the beneficiaries of any trust, or other creditors;
- (b) The Acting Governor in Council pursuant to the powers conferred by Section 14 (1) (v) of the Banks and Trust Companies Law (1995 Revision) and at the expense of the licensee,

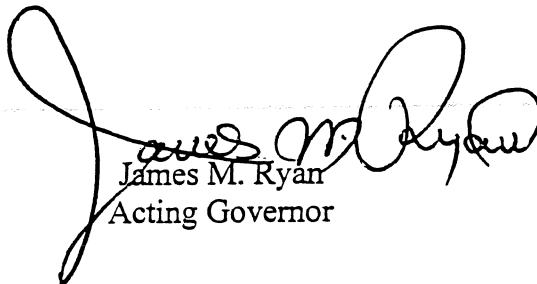
NOW HEREBY APPOINTS Messrs Roy M McTaggart and Federcio A Golcher, chartered accountants of the firm of *KPMG* of the Cayman Islands and Costa Rica respectively, to jointly and severally assume control of the affairs of Federated International Bank Limited (FEDEBANK) (hereinafter the "licensee") and to have *mutatis mutandis* all powers of a person appointed as receiver or manager of a business appointed under Section 18 of the Bankruptcy Law (Revised).

The said Messrs Roy M McTaggart and Federcio A Golcher ARE HEREBY DIRECTED to:

1. assume control of the affairs of the licensee;
2. prepare and furnish a report to the Governor in Council and the Cayman Islands Monetary Authority regarding the affairs of the licensee and make recommendations as to the actions to be taken. This report is to be furnished as soon as possible, but no later than three months from the date of this appointment;
3. take all necessary actions to administer the affairs of the licensee to achieve a prompt and orderly resolution of the licensee's financial difficulties paying due regard to the interests of depositors and creditors of the licensee. These actions include but are not limited to the following:
  - a) assume control of, collect and get all property or assets of whatever nature to which the licensee is or appears to be entitled;
  - b) safeguard the interests of depositors or creditors and to provide an inventory of assets and liabilities as necessary;

- c) take possession or make copies of the books, records and other documents pertaining to the affairs of the licensee to enable a proper accounting of the current financial position of the licensee;
- d) oversee that the DIRECTIVES issued to the licensee by the Governor in Council dated 6<sup>th</sup> October 1998 are complied with;
- e) appoint an agent to do any business in which they are unable to themselves or which can more conveniently be done by an agent;
- f) enter into discussions and negotiations with any person in Costa Rica or elsewhere as necessary to arrive at a prompt and orderly resolution of the licensee's financial problems;
- g) promptly refer all matters of a legal nature to the Attorney General; and
- h) promptly refer all matters of a banking supervisory nature to the Cayman Islands Monetary Authority.

These DIRECTIVES take effect as of the 21 day of November 1998.

  
James M. Ryan  
Acting Governor

THE SECRETARY OF THE GOVERNMENT IN COUNCIL

HIS MAJESTY THE GOVERNOR IN COUNCIL  
BY APPOINTMENT

WHEREAS the Honorable Sir James Mackenzie Bart. has been appointed  
to the office of Secretary of the Government in Council  
and it is the pleasure of His Majesty the Governor in Council  
to appoint him to that office

IN WITNESS WHEREOF  
I have hereunto set my hand and the seal of the Government  
in Council at the City of Edinburgh this 15th day of  
January 1841

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO 697 OF 1998

IN THE MATTER OF AN APPOINTMENT UNDER SECTION 14 (1)(d)(v) OF  
THE BANKS AND TRUST COMPANIES LAW

AND

IN THE MATTER OF AN APPLICATION FOR DIRECTIONS UNDER ORDER  
30, RULE 8 OF THE GRAND COURT RULES

BY

HIS EXCELLENCY THE GOVERNOR IN COUNCIL  
ROY M MC TAGGERT  
FEDERICO A GOLCHER

Applicants



EX PARTE ORDER

Before the Honourable Chief Justice Anthony Smellie, in Chambers

UPON READING the application of the Governor in Council pursuant to section  
14(1)(d)(v) of the Banks and Trusts.

AND UPON READING the unsworn affidavit of Stephen Hall-Jones

AND UPON HEARING Counsel for the Applicants

AND UPON Counsel for the First Applicant undertaking to file the Originating  
Summons and to swear and file the affidavit of Stephen Hall-Jones forthwith

**IT IS ORDERED:**

1. That Roy M. McTaggart and Fredercio A. Golcher, Chartered Accountants of the firm of KPMG of the Cayman Islands and Costa Rica respectively ("the Controllers"), who were appointed to assume control jointly and severally over the affairs of Federated International Bank Limited (FEDEBANK) ("the Company") pursuant to a directive from the Acting Governor in Council dated 2<sup>nd</sup> day of November, 1998, shall, for the purposes of assuming control of

FEDEBANK'S business and affairs only as a going concern, have all the powers of a person appointed as a receiver or manager of a business appointed under Section 18 of the Bankruptcy Law (revised) to be exercised as necessary without further sanction of this Court including, but not limited to:

- (a) The power to take possession of all property real and personal, and all books, papers, and documents of the Company, and to exercise such of the powers conferred by this Order as may be necessary for the purpose of acquiring and retaining possession thereof and for the purpose of protecting the rights of the Company's creditors.
- (b) The power to discover and recover all debts due to the Company including the taking of any legal or other quasi judicial action as may be necessary whether in the Cayman Islands or elsewhere.
- (c) The power to examine and verify the books, papers and vouchers relating to the Company's affairs.
- (d) The power to sell the real and personal property, effects and things in action of the Company by public auction or private contract, with power to transfer the whole thereof to any person or company or to sell the same in parcels insofar as the exercise of this power shall be necessary to preserve or protect the value of the Company's assets or business.
- (e) The power to carry on the business of the Company, so far as may be necessary for the assumption of control of the affairs of the Company and/or as shall be necessary to preserve or protect the value of Company's assets or business.
- (f) The power to bring or defend any action, suit, prosecution, or other legal or quasi judicial proceedings whether civil or criminal in the name and on behalf of the Company whether within the Cayman Islands or elsewhere.
- (g) The power to prove, rank, claim and draw a dividend in respect of any debt due to the Company.
- (h) The power to refer any dispute to arbitration, compromise all debts, claims and liabilities, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Company and any person who may have incurred any liability to the Company, upon the receipt of such sums payable at such times and generally upon such terms as may be agreed upon.
- (i) The power to make such compromise or other arrangement as may be thought expedient with creditors of the Company or persons claiming to be creditors of the Company, in respect of any debts against the Company.



- (j) The power to make such compromise or other arrangement as may be thought expedient with respect to any claim arising out of or incidental to the property of the Company, made or capable of being made by any person.
- (k) The power to draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Company, and from time to time to raise upon the security of the assets of the Company any requisite sum or sums of money; and the drawings, accepting, making or endorsing of every such bill of exchange or promissory note as aforesaid on behalf of the Company shall have the same effect with the respect of the liability of such company as if such bill or note had been drawn, accepted, made or endorsed by or on behalf of such company in the course of the carrying of the business thereof save insofar as the exercise of this power shall be necessary for the control of the affairs of the Company in order to protect and preserve the assets and/or the business of the Company.
- (l) The power to do and execute all such things as may be necessary for the conduct and control of the affairs and the business of the Company including but not limited to the power to revoke on behalf of the Company any subsisting Power of Attorney or other deed or instrument.
- (m) The power to execute on behalf of the Company any Power of Attorney or other deed or instrument that may, in the opinion of the Controllors be necessary for the conduct of any of the affairs or business of the Company or for the exercise of any of the powers set out in this Order and to take any and all necessary steps to register or howsoever effect or have recognised the Power of Attorney whether in the Cayman Islands or elsewhere.
- (n) The power to enter into discussions and negotiations with any person in Costa Rica or elsewhere as necessary to arrive, if possible, at a prompt and orderly resolution of the Company's financial problems.
- (o) That the Controllors may, at any time, apply to the Court for directions concerning the above powers or with regard to any matters arising out of the management or conduct of the affairs of the Company.
2. That the Controllors may, without further sanction of this Court, appoint Attorneys-at-law whether in the Cayman Islands or elsewhere to assist them in the performance of their duties and to appoint any agent or other entity to engage in any business on behalf of the Company which they are unable to do themselves or which can more conveniently be done by an agent whether in the Cayman Islands or elsewhere at such rate of remuneration as the Controllors shall deem appropriate.



3. The Controllers and their staff be remunerated at the expense of the Company at the following hourly rates:

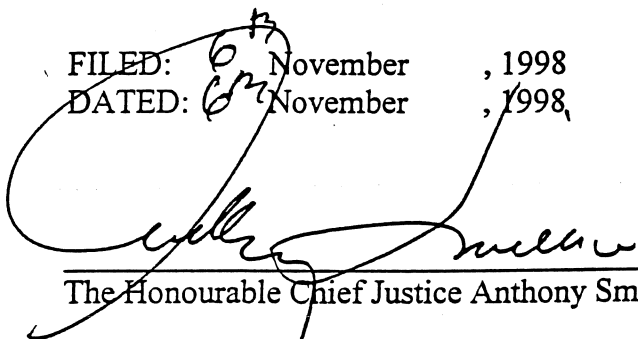
US\$

(i)	Partner	400.00
(ii)	Senior Manager	250.00
(iii)	Manager	220.00
(iv)	Senior Accountant	155.00
(v)	Staff Accountant	125.00
(vi)	Assistant Accountant	100.00
(vii)	Student	80.00

4. This order be published in the Gazette.

5. The costs of the application be paid by the Bank.

FILED: 6<sup>th</sup> November, 1998  
DATED: 6<sup>th</sup> November, 1998

  
The Honourable Chief Justice Anthony Smellie



This Order is filed by the Government Legal Department whose address for service is Fourth Floor, Tower Building, George Town, Grand Cayman, Attorneys-at-law for the First Applicant.



The Banks and Trust Companies Law (1995) Revision  
Section 14(1)(b)(ii)

DIRECTION TO LICENSEE

WHEREAS Federated International Bank Limited (FEDEBANK) (hereafter referred to as ("the licensee")) holds a licence to carry on banking business under The Banks and Trust Companies Law, (1995) Revision;

AND WHEREAS the Governor is of the opinion that the licensee appears likely to become unable to meet its obligations as they fall due;

AND WHEREAS the Governor is of the opinion that the licensee may now be carrying on business in a manner detrimental to the public interest, the interests of depositors and of its creditors;

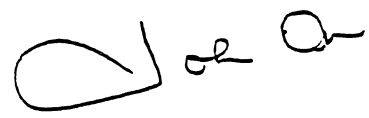
NOW THEREFORE, pursuant to Section 14(1)(b)(ii) of The Banks and Trust Companies Law (1995) Revision, I John Owen, Governor of the Cayman Islands, require the licensee to take the following action which I consider necessary, namely:

To refrain, whether by its officers, servants or agents, or by the means of any associated, affiliated or subsidiary company, or otherwise howsoever from:

- (a) Accepting any further unrelated or third party deposits from either banks or the general public other than under the direction and with the consent of the Cayman Islands Monetary Authority.
- (b) Undertaking any other business whatsoever without the prior agreement of the Cayman Islands Monetary Authority.

AND TAKE NOTICE that contravention of these requirements may be a criminal offence punishable under Section 20 of the said Law with a fine not exceeding ten thousand dollars or to imprisonment for a term not exceeding one year or to both such fine or imprisonment in respect of each and every such contravention.

Dated this 6<sup>th</sup> day of October 1998.



John Owen  
Governor



UNITED STATES DEPARTMENT OF JUSTICE

INVESTIGATION OF THE ACTS OF VIOLENCE COMMITTED BY THE ORGANIZATION OF BLACK PANTHER PARTY

MEMORANDUM FOR THE ATTORNEY GENERAL

FROM: SAC, NEW YORK (100-100000)

SUBJECT: BLACK PANTHER PARTY; DESTRUCTION OF PROPERTY; VIOLENCE

Reference is made to New York File 100-100000, and New York File 100-100000-100000.

On 10/10/69, a letter was received from the New York Office of the FBI, dated 10/10/69.

The letter advised that the New York Office of the FBI is conducting an investigation of the activities of the Black Panther Party.

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## Appendix II

## TRUST AGREEMENT

NO. 155-98 FEDEBANK/ BANCOOP, R.L.

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2  
3 **PRINCIPAL GRANTOR: FEDERATED INTERNATIONAL BANK LTD.**  
4 **SECONDARY GRANTOR: FEDECREDITO, R.L.**  
5 **TRUSTEE: BANCO COOPERATIVO COSTARRICENSE, R.L.**  
6 **BENEFICIARIES: CREDITORS OF FEDEBANK INTL. BANK, LTD.**

7 Between us **DENNIS MELENDEZ HOWELL**, of legal age, married once, an economist, a  
8 resident of Moravia, bearer of identity card number one – three hundred eighty seven – two  
9 hundred fourteen, acting as General Manager of **BANCO COOPERATIVO**  
10 **COSTARRICENSE, R.L.**, hereinafter referred to as “**The Trustee**”, domiciled in San José, 7<sup>th</sup>  
11 Avenue, \_\_\_ and \_\_\_ Streets, corporate card number three – zero four – zero sixty one thousand  
12 seventy five – zero three, authority duly registered at the Registry of the Department of Social  
13 Organizations of the Labor and Social Welfare Ministry, under Resolution C-583 of 27  
14 December 1983, and **CARLOS BONILLA AYUB**, of legal age, married once, an agricultural  
15 engineer, a resident of San José, bearer of identity card number five – one hundred twenty five –  
16 two hundred sixty two, **MARIO VARGAS ALVARADO**, of legal age, married, a business  
17 administrator, a resident of San Pedro, bearer of identity card number one – four hundred fifty  
18 seven – two hundred ninety nine, and **PABLO CRUZ MONGE**, of legal age, married once, a  
19 business administrator, a resident of San José, bearer of identity card number two – three  
20 hundred forty five – three hundred thirty three, duly authorized by Board of Directors resolution  
21 adopted in session held at fourteen hours of September twenty-three nineteen ninety eight, with  
22 sufficient authority for this purpose of **FEDERATED INTERNATIONLA BANK LIMITED**,  
23 (**FEDEBANK**), a company organized, domiciled and under the laws of Grand Cayman with  
24 corporate card number three – zero twelve – one thousand five hundred thirty one – five hundred,  
25 party which for the purposes of this Trust shall be referred as “**The Principal Grantor**” and

1 MARIO VARGAS ALVARADO, of legal age, married, a business administrator, a resident of  
2 San Pedro, bearer of identity card number one – four hundred fifty seven – two hundred ninety  
3 nine, acting as full power of attorney with sufficient authority of **FEDERACIÓN NACIONAL**  
4 **DE COOPERATIVAS DE AHORRO Y CRÉDITO DE COSTA RICA, R.L.**  
5 **(FEDECREDITO, R.L.)**, registered at the Registry of Social Organizations of the Ministry of  
6 Labor and Social Welfare by Resolution number F-0062 of January eight nineteen seventy four  
7 and corporate card number three – zero zero four – zero forty five thousand ninety four and as  
8 per Resolution of the Administration Board in its session of October 19, 1998, party which  
9 hereinafter and for the purposes of this agreement shall be referred to as “**The Secondary**  
10 **Grantor**” and in its capacity as owner of 100% of the shares of the **Principal Grantor**, jointly  
11 the latter two may be referred to as “**The Grantors**”, we have agreed upon this Trust Agreement,  
12 hereinafter referred to as the Contract, that shall be governed by the following clauses and by the  
13 provisions of Title I, Chapter XII, Book II of the Commercial Code and Section 7 of article 116  
14 of the National Banking System Organic Law.

15 **WHEREAS:**

- 16 1. On October second nineteen ninety eight an Agreement is executed between the creditors and  
17 depositors and Federated International Bank, Limited.
- 18 2. By Article Eight of the Agreement a Committee of Creditors is constituted that shall have as  
19 main purpose overseeing and collaborating in the execution of the strict compliance of  
20 provisions contained in the Agreement and all those which the Assembly of Creditors  
21 establishes thereafter.
- 22 3. Article Two of the referred Agreement instructs and authorizes the Committee of Creditors  
23 to establish a Trust for the initial separation of the assets, the pursuance of the financial  
24 solution that best guarantees the subsequent service of pending debt in the recoverable  
25 proportion.

1 4. Banco Cooperativo Costarricense, R.L. accepts its designation as Trustee and therefore the  
2 transfer as entrusted property of the assets and rights of Federated International Bank,  
3 Limited (FEDEBANK) and the Federación de Cooperativas de Ahorro y Crédito, R.L.  
4 (FEDECREDITO, R.L.) so that they may be administrated under the terms and regulations of  
5 this Contract.

6 **NOW, THEREFORE:**

7 We agree upon entering this Trust Agreement that shall be governed by the following clauses:

8 **CLAUSE ONE**

9 **NAME AND NATURE OF THE TRUST**

10 With the purpose of separating and identifying the activity of the Trust from that of the Trustee  
11 and that of the Grantors, this Contract shall be named: **"TRUST OF THE ASSETS AND**  
12 **LIABILITIES OF FEDERATED INTERNATIONAL BANK, LTD"**.

13 In addition, this must be deemed as an Management Trust and shall be irrevocable by the  
14 **Grantors.**

15 **CLAUSE TWO**

16 **ON THE PARTIES TO THE TRUST**

17 The parties to this Trust are as follows: **FEDERATED INTERNATIONAL BANK, LTD.**  
18 **(FEDEBANK)** shall be the **Principal Grantor**, the **FEDERACIÓN DE COOPERATIVAS**  
19 **DE AHORRO Y CREDITO, R.L. (FEDECREDITO, R.L.)** shall be the **Secondary Grantor**,  
20 for all purposes referred to collectively as **"The Grantors"**. The **BANCO COOPERATIVO**  
21 **COSTARRICENSE (BANCOOP, R.L.)** shall be the **TRUSTEE** and all the creditors of  
22 **FEDERATED INTERNATIONLA BANK, LTD. (FEDEBANK)**, as per Schedule No. 1 of  
23 this Trust, shall be the **Beneficiaries.**



1 endorsement, or as may correspond and the **Trustee** shall receive the information on the part of  
2 the **Principal Grantor** and shall not be liable for subsequent events or circumstances that may be  
3 related to the obligations, contingent or not, that said information may not adequately reveal.

4 The entrusted property may be increased without limitation by new contributions that are made  
5 by the **Grantors** in property or cash, so long as those are accepted by the Special Committee of  
6 the Trust and the **Trustee**.

7 **CLAUSE FOUR**

8 **PURPOSE OF THE TRUST**

9 The purpose of this trust is the administration of assets of the **Principal Grantor** on the part of  
10 the **Trustee** to the effect of reaching the best financial solution, so as to pay in this manner and as  
11 far as assets may allow, the pending debt in full or in part, within the authority conferred by the  
12 law. The above shall be done seeking the best use of said assets, to the criterion of the Special  
13 Committee of the Trust and without responsibility for the **Trustee** in case there remain unpaid  
14 balances.

15 When the **Trustee** has evaluated with precision the worth of the assets and liabilities, under its  
16 responsibility and with the prior authorization of the Special Committee of the Trust, it shall  
17 issue Titles of Fiduciary Participation in the Trust in substitution of the Titles that are in force  
18 through 30 September 1998 and that are in the legitimate control of the creditors, each of which  
19 shall represent the proportional participation in the entrusted property and shall constitute the  
20 means through which the position of **Beneficiary** shall be accredited.

21 The property of the same may be transferred by nominative endorsement, prior authorization and  
22 acceptance on the part of the Special Committee of the Trust and the **TRUSTEE**. Said transfer  
23 shall be recorded in the registry that shall be implemented and maintained to that effect by the  
24 Trust.

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CLAUSE FIVE

ON THE SPECIAL COMMITTEE OF THE TRUST

As per the provisions of Section 7 of Article 116 of the Organic Law of the National Banking System, a SPECIAL COMMITTEE OF THE TRUST is hereby constituted, which shall be governed by its own regulations that duly signed shall be attached to and made an integral of this agreement.

The Special Committee of the Trust shall be the entity charged with the decision, control, and supervision of the entrusted property and shall meet ordinarily at least twice a month and extraordinarily whenever summoned in writing, by facsimile, or by electronic mail, by at least two of its members with twenty-four hours' of anticipation.

This Committee shall be in charge of issuing the general directives to the TRUSTEE that are necessary to ensure the adequate liquidation of the assets and to approve the budgets of the Technical Office of the Trust that the TRUSTTE shall prepare and present for its consideration.

The Special Committee of the Trust shall be comprised of five members elected by simple majority of votes by the Assembly of Beneficiaries and in accordance with the Creditors' Agreement dated two October nineteen ninety-eight, and provisionally until it is ratified by said Assembly as follows: **Saúl Weisleder Weisleder**, of legal age, married once, an economist, a resident of San José, bearer of identity card number one – three hundred ninety – one thousand eighty, **Lemuel Byran López**, of legal age, married once, a business administrator, a resident of San José, bearer of identity card number one – two hundred eighty seven – six hundred fifteen, **Jeannette Brenes Montero**, of legal age, married once, Licentiate in Computer Sciences, a resident of San José, bearer of identity card number one – five hundred forty-one – four hundred twenty-three, **José Luis Jop Gazel**, of legal age, married once, a businessman, a resident of San José, bearer of identity card number one – five hundred thirty-seven – nine hundred fifty-one.

1 All members of the Special Committee shall be entitled to a say and to vote and decisions shall  
2 be made by the simple majority of those present, while minimum quorum necessary shall be of  
3 three members.

4 The **Trustee** shall appoint a representative to the Special Committee who shall serve as adviser  
5 and for which purpose he or she shall only be entitled to a say.

6 Aside from the authority mentioned hereinabove and hereinbelow, said Committee shall have  
7 among other the following:

- 8 1. Control over the compliance of the provisions of this Trust Agreement and may recommend  
9 to the Assembly of Beneficiaries the revoking of the appointment of the **Trustee** in case it  
10 considers it convenient and subsequently appoint another.
- 11 2. Periodically request and receive in accordance with its criterion the financial and general  
12 policy and procedures compliance information on the Trust on the part of the **Trustee**.
- 13 3. Approve the budget for disbursements to be made against the entrusted property, specifically  
14 related to administrative, tax, legal or any other expenses to be incurred for the fulfillment of  
15 the purpose of the trust.
- 16 4. Instruct the **Trustee** in writing as to the filing of civil or criminal complaints that may be  
17 appropriate against the corresponding legal or natural persons.
- 18 5. Establish, jointly with the **Trustee**, and in accordance with its best understanding and  
19 criterion, and in accordance with what to the effect may have been defined by the Assembly  
20 of Beneficiaries, the form, term and proportion for the liquidation of debt.
- 21 6. Call for the Assembly of Beneficiaries to meet when it considers it appropriate with at least  
22 eight calendar days of anticipation.

23 **CLAUSE SIX**

24 **ON THE TECHNICAL OFFICE**

1 For the operation of this Trust, the Trustee shall create the Technical Office and shall inform the  
2 **Special Committee of the Trust** on its structure, operation and responsibilities. This Technical  
3 Office shall be managed by an Officer who shall have under his or her responsibility as  
4 hierarchical superior the responsibilities of higher management of the Trust and of the  
5 subordinate personnel of said Technical Office.  
6 The expenses of this Technical Office shall be charged to the Trust insofar as they correspond to  
7 expenses necessary to achieve the object and purpose sought. These expenses shall be based on  
8 an annual budget and its amendments which shall be filed for its consideration and approval on  
9 the part of the **Special Committee of the Trust** by the Trustee, and this Committee shall  
10 oversee that the payments charged to the Trust do not exceed the approved budget.

#### 11 **CLAUSE SEVEN**

#### 12 **OBLIGATIONS, RIGHTS AND AUTHORITY OF THE TRUSTEE**

13 The following shall be the obligations, rights and authority of the Trustee:

- 14 1. Manage the property and rights hereby received for the fulfillment of the purpose of this  
15 Agreement with absolute responsibility and efficiency until the best financial solution is  
16 reached in order to settle as far as funds may allow those debts in full or in part, within the  
17 legal authority conferred to it by law. The above shall be done seeking to maintain the best  
18 use of those assets, to the criterion of the Special Committee of the Trust and without  
19 liability for the Trustee in case pending balances are maintained.
- 20 2. Register and maintain the entrusted property and its accounting separated from its own  
21 property and that of other agreements of the same kind, as provided by Section b of Article  
22 644 of the Commercial Code.
- 23 3. Open one or several bank accounts specific for this Trust Agreement.
- 24 4. The Trustee may perform currency conversion where for reasons related to the Trust's  
25 operation those transactions are required.

- 1 5. The **Trustee** shall prepare and present for its approval on the part of the Special Committee  
2 of the Trust the "Regulations for the administration of property and rights of the Trust" at the  
3 latest within fifteen work days as of the execution of this Agreement.
- 4 6. Maintain in its power during a peremptory term of two months as of the first publication of a  
5 notice as to the constitution of this Trust the Titles of Fiduciary Participation and proceed to  
6 the corresponding substitution if favor of the creditors of certificates of investment, bills of  
7 exchange and any other appropriate financial document and which constitute a right in favor  
8 of their legitimate bearers and which are registered in the financial statements of the  
9 **Principal Grantor** through September thirtieth nineteen ninety-eight.
- 10 7. Heed the instructions of the Special Committee of the Trust as relates to the filing of civil or  
11 criminal complaints that may be appropriate against natural or legal persons and that may be  
12 correspond according to the purposes of this Trust.
- 13 8. Bancoop, R.L. shall be the party responsible for the administration of the Technical Office of  
14 the Trust and shall oversee that in the performance of its functions all policies and  
15 procedures established by the Special Committee of the Trust are met, for which purpose the  
16 **Trustee** shall assign the necessary personnel required to provide the necessary induction,  
17 control and advice.
- 18 9. The **Grantors** as well as the **Beneficiaries** hereby release the **Trustee** from any present of  
19 future liability that may derive from possible third-party actions that may be established  
20 against the provisions of this Agreement and that may affect the proper administration and  
21 liquidation of the assets and the subsequent payment of the corresponding debt.
- 22 10. The **Trustee** shall not assume liability whatsoever if by reason of a fortuitous event or an act  
23 of God it is prevented from fulfilling its obligations assumed under this Trust Agreement.
- 24 11. Maintain the control over the budget of the Technical Office of the Trust.

- 1 12. Contract the provision of goods and services as well as that of the personnel necessary for the  
2 proper implementation of the Trust.
- 3 13. Maintain the control and payment of payroll and social security charges corresponding to the  
4 Technical Office of the Trust.
- 5 14. Maintain the control of fixed assets and property received as payment.
- 6 15. Negotiate the full or partial sale, directly or through private offer, of the assets that are  
7 received in the in the trust, prior authorization by the Special Committee of the Trust.
- 8 16. Propose and accept payment settlements prior authorization by the Special Committee of the  
9 Trust.
- 10 17. Accept partial payments or pre-payments.
- 11 18. Carry out the discount of documents and/or assignments of credit or investments, prior  
12 authorization by the Special Committee of the Trust.
- 13 19. Deliver property as full or partial payment to depositors and creditors, prior authorization by  
14 the Special Committee of the Trust.
- 15 20. Invest the funds existing in the trust in securities issued by the State of the Central  
16 Government, so long as those funds are delivered to the creditors.
- 17 21. Recover debt by judicial or administrative action, settle lawsuits and issue special judicial  
18 powers of attorney. Expenses and legal fees for judicial debt recovery actions shall be  
19 covered by the Trust, and once the credit has been recovered those amounts shall be charged  
20 to the debtors, otherwise they shall be charge to the Trust.
- 21 22. Prepare a proposal for final settlement that shall be submitted to a meeting of beneficiaries  
22 and that if approved by simple majority shall be binding for all creditors and executed in due  
23 course.
- 24 23. Charge the corresponding compensation, in accordance with section d) of Article 644 of the  
25 Commercial Code.

1 24. Carry out on the account of the patrimony of the Trust those rights and actions legally  
2 necessary for the defense of the trust and the property object of the trust.

3 25. The **Trustee** shall not recognize as part of the obligations of the Trust and in this sense shall  
4 not make payment whatsoever to companies forming part of the Financial Group of which  
5 the **Grantors** are a part, that is to say FEDECREDITO, R.L. and its subsidiaries, including  
6 Banco Federado, member of the National Banking System.

7 26. The **Trustee** shall recognize with preference those obligations that are maintained with the  
8 **Beneficiaries**, in case those obligations are paid in full and any other obligation with third  
9 parties in which the Trust may incur, including fees corresponding to the **Trustee**, the  
10 Special Committee of the Trust may consider the possibility of recognizing the debts that to  
11 that date are maintained by the **Principal Grantor** with the companies forming the  
12 Fedecredito Financial Group.

13 27. The **Trustee** through the Technical Office of the Trust shall seek the payment of pending  
14 balances owed to the Trust by the Federación Nacional de Cooperativas de Ahorro y Crédito  
15 y Servicios Múltiples de Costa Rica, R.L. (Fedecredito, R.L.) and related entities, including  
16 the Banco Federado, member of the National Banking System. For the above, the Special  
17 Committee of the Trust may authorize the compensation of accounts, prior analysis in each  
18 case.

19 28. The **Trustee** shall proceed as corresponds with each of the "Back to Back" credits  
20 maintained to date, after the corresponding analysis and recommendation presented to the  
21 Special Committee of the Trust, and it may even perform compensation of balances.

22 29. The **Trustee** shall proceed to the delivery of the documents that support the money delivered  
23 by the international banks with which international commercial operations were made, that  
24 is to say letters of credit, collections and other appropriate and usual operations in the  
25 operation of international banking. In those cases, in which said banks have issued credits in

1 favor of the **Principal Grantor**, they shall be maintained as common creditors, giving them  
2 the same treatment as all creditors. All the above shall require the prior approval of the  
3 Special Committee of the Trust.

4 30. The **Trustee** shall offer as far as available funds exist payment of the debts to all those  
5 creditors of the **Principal Grantor** with amounts not exceeding eighteen thousand dollars,  
6 through cash payment of fifty per cent of the debts. The above in the understanding that the  
7 acceptance is voluntary and that those persons who do not wish to accede to this  
8 convenience, may execute this trust agreement and their credits shall be paid as the rest of  
9 the beneficiaries in accordance with this trust agreement, its addenda and the agreements that  
10 may subsequently be entered. The persons that accept fifty per cent cash payment shall be  
11 deemed as fully paid and must execute a release and settlement. All without detriment that  
12 by resolution of the Special Committee of the Trust and if at the closing of the liquidation the  
13 final amount to be paid results higher than 50% of the debts, the balance may be paid in the  
14 understanding that first payment of at least fifty per cent to the beneficiaries that execute this  
15 Trust Agreement shall be made.

16 31. The **Trustee** shall open an escrow, which shall protect legal documents, titles and guarantees  
17 that support credits.

18 32. The **Trustee** shall render at least one monthly accounting report to the Special Committee of  
19 the Trust as to the operations of the same and shall maintain to at all times its access and to  
20 that of the **Beneficiaries** the books and other documents where its operations are registered,  
21 and said Special Committee may request additional reports to the **Trustee** on any aspect it  
22 may deem convenient.

23 33. The **Trustee** shall be responsible for any loss that may be caused by fault or negligence in  
24 the investment or in the handling and attention of the entrusted assets, as provided by Article  
25 No. 645 of the Commercial Code and other applicable articles.

1 34. Once the Trust is terminated, which may occur by any of the causes foreseen in this  
2 Agreement and in the Commercial Code, the funds, property, rights or valuables that  
3 comprise the entrusted property shall be delivered in the manner and proportion that the  
4 Assembly of Beneficiaries determines, which shall determine the correct distribution of said  
5 patrimony.

6 **CLAUSE EIGHT**

7 **ON THE OBLIGATIONS OF THE GRANTORS**

8 The **Grantors** shall have the following responsibilities and obligations:

9 1. Deliver the original supporting documentation on the investment assets and credit operations  
10 and among this the legal guarantee documents, also it shall include at least: a detail of  
11 operations, a past due report, listings and complete files. Said documentation must be  
12 received to the satisfaction of the **Trustee**.

13 2. Carry out the transfer, endorsement, assignment, registration or as may correspond of all  
14 property to the trust including but not limited to: the banking license or other intangible  
15 property such as trademarks, licenses, good will rights and patents that it may have within or  
16 without Costa Rica for which purpose its representatives and powers of attorney shall issue  
17 the documents and deeds public or private that are necessary in Costa Rica and abroad the  
18 cost of which shall be covered in full by the **Grantors**. For the above it must present to the  
19 satisfaction of the **Trustee** the pertinent legal documentation.

20 3. Perform the additional contributions to the patrimony of the Trust, which can be increased  
21 without limitation by new contributions that the **Grantors** may make in kind or cash, as long  
22 as those are accepted by the Special Committee of the Trust and the **Trustee**.

23 4. Cancel in all aspects established by law and with its own funds the obligations that to this  
24 date are maintained pending as concerns labor relationships and fees for professional  
25 services with the employees and advisory personnel of FEDEBANK, LTD., and it must

1 maintain the trust intact and safe from any claim for these concepts. For those purposes, the  
2 **Trustee** must receive the corresponding supporting documentation for those cancellations  
3 and the respective releases or settlement agreements.

4 5. The constitution of this Trust agreement does not release FEDECREDITO, R.L. as sole  
5 stockholder of FEDEBANK, LTD. of the financial obligations that it has with respect to the  
6 creditors of the **Principal Grantor**.

7 6. Provide to the **Trustee** duly audited and with an opinion as to their reasonableness issued by  
8 a Certified Public Accountant the financial statements, notes and details of the accounting  
9 entries of FEDEBANK, LTD. through September thirtieth nineteen ninety-eight.

10 7. Oversee the fulfillment of the legal and any other requirements at the national and  
11 international level for the adequate transfer of property, such as taxes, charges, fees and  
12 others and it must inform the **Trustee** in due course as to any judicial action that has been  
13 initiated against the assets to be transferred to the Trust.

#### 14 **CLAUSE NINE**

##### 15 **ON THE OBLIGATIONS AND AUTHORITY OF THE BENEFICIARIES**

16 The **Beneficiaries** that execute this Trust Agreement shall have the following obligations and  
17 authority:

18 1. Exchange the certificates of investment, Bills of Exchange and any other appropriate legal  
19 document and that constitutes a right in favor of its legitimate bearer and recorded in the  
20 financial statements of the **Principal Grantor** through September thirtieth nineteen ninety  
21 eight, for Titles of Fiduciary Participation as provided by clause eight of this Trust  
22 Agreement and after the Assembly of Creditors called to the effect has approved by majority  
23 said conversion.

24 2. Appoint their representatives before the Special Committee of the Trust and notify it to the  
25 **Trustee**. Every issue that is submitted to the consideration of the **beneficiaries** shall require

1 a vote for its approval, it shall be deemed approved by the vote of the simple majority of the  
2 votes accredited in the meeting or Assembly called to that effect. The callings for the  
3 Assembly of **beneficiaries** shall be done by the **Trustee** prior instruction of the Special  
4 Committee of the Trust, by means of a publication that shall be made in a newspaper of  
5 national circulation, with at least eight calendar days of anticipation to the holding of the  
6 Assembly or meeting. To those effects neither the day of publication nor the day of the  
7 meeting shall be counted as part of the term. The resolutions shall be taken by simple  
8 majority of those present by personal and capital vote as follows: each creditor shall be  
9 entitled to un personal vote, one vote per each US\$1,00 (One United States dollar with  
10 00/100) of credit. Once this Trust Agreement is ratified, the resolutions shall be taken by  
11 simple majority of those present and in accordance with the proportion of their participation  
12 in the Trust.

13 3. They are entitled to have their credits paid in a proportional manner and as far as possible,  
14 according to what is to be established by the Special Committee of the Trust.

15 4. Request information related to the handling of the Trust from the **Trustee** and receive copy  
16 of the financial statement through September thirtieth nineteen ninety-eight which the  
17 **Principal Grantor** shall provide the **Trustee**.

18 5. It shall have the right to benefit from what may be provided in the final settlement approved  
19 by the Assembly of Beneficiaries and it agrees with binding character to respect and accept  
20 that which is agreed to by the simple majority of those present.

21 6. To keep the authorities of Grand Cayman informed of the evolution of the results of the  
22 Trust, and they shall be charged with undertaking the necessary procedures for obtaining the  
23 corresponding authorizations for the sale or assignment of the Banking License that is  
24 transferred to the Trust.

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CLAUSE TEN

ON THE TITLES OF FIDUCIARY PARTICIPATION

Prior authorization of the Special Committee of the Trust, the **Trustee** shall issue Titles of Fiduciary Participation each of which shall grant to its bearer a proportional participation and proportional to its value over the total patrimony of the trust and constitute the document by which the position of **Beneficiary** is accredited.

The Titles of Fiduciary Participation shall be freely negotiable by their owner through nominative endorsement and delivery, and this transaction must be authorized by the Special Committee of the Trust and the **Trustee**, for which purpose the latter shall keep a registry of **Beneficiaries**.

The Titles of Fiduciary Participation shall substitute the certificates of investment, Bills of Exchange and any other appropriate document and that constitutes a right in favor of its legitimate bearer and is duly recorded in the financial statements of the **Grantor** through September thirtieth nineteen ninety-eight, covering those titles proportionality of principal plus interest it may have accrued through September thirtieth nineteen ninety-eight.

The Title of Fiduciary Participation shall be nominative and include date and place of emission and shall describe the rights it confers upon its legitimate bearer.

The value of each Title of Fiduciary Participation shall be determined in percentage terms and based on the proportion that each individual credit represents of the total of credits that according to the Special Committee of the Trust should be included. A credit may be included in one or several Titles.

For the purposes of replacing a Title of Fiduciary Participation, it shall be done according to the provisions of the Commercial Code to this respect.

1 The Trustee may record the **Beneficiaries** and exchange the Titles of Fiduciary Participation  
2 during a peremptory term of two months as of the date on which the first publication announcing  
3 the constitution of the Trust. In the case that potential creditors of the **Principal Grantor** do not  
4 carry out the exchange within the determined peremptory term, the **Trustee** shall keep the Titles  
5 of Fiduciary Participation in custody for the term of the Trust agreement, expired this term the  
6 **Trustee** shall consign the Titles of Fiduciary Participation for proportional value to the  
7 corresponding Court and in favor of whom it may legally correspond.

8 The **Trustee** is authorized, on the account of the Trust, to make the publications in a newspaper  
9 of national circulation, announcing the constitution of the Trust and calling creditors who wish to  
10 become **Beneficiaries** to undertake the corresponding proceedings, as well as to offer  
11 explanations to the general public on the scope and characteristics of this Trust Agreement, in  
12 case it considers it necessary.

13 **CLAUSE ELEVEN**

14 **ON THE AUDITING OF THE TRUST**

15 The Internal Audit of the **Trustee** shall *suo sponte* undertake the auditing it considers  
16 appropriate. The **Beneficiaries** through the Special Committee of the Trust, may hire and charge  
17 to the Trust external auditing for each of the annual reports of the **Trustee**, and they may also  
18 hire other auditing or special studies for the oversight of the activities of the Trust at any time  
19 they consider it timely and necessary for which purpose the **Trustee** shall provide the necessary  
20 assistance to those entities in their work.

21 **CLAUSE TWELVE**

22 **ON THE TRUSTEE'S FEES AND OTHER EXPENSES OF THE TRUST**

23 Bancoop, R.L. shall charge the following fee for its services as Trustee:

24 ❖ US\$7,500.00 (Seven thousand five hundred with 00/100 dollars) during the first six months.

1 ❖ Once this term has ended, a 0.375% annual shall be applied on the total of assets of the trust  
2 or a monthly fee of US\$7,500.00 (Seven thousand five hundred with 00/100 dollars),  
3 whichever amount is greater.

4 ❖ And on the recovery of pending loans and accounts receivable, except "Back to Back" credits  
5 and those related to FEDECREDITO, R.L., its subsidiaries and the Banco Federado, member  
6 of the National Banking System, US\$4.00 for each \$1,000.00 recovered.

7 This fee shall be paid monthly by the withholding of the available funds kept by the Trust, as  
8 provided in section d) of Article 644 of the Commercial Code. Said fee may be modified prior  
9 agreement between the Special Committee of the Trust and the **TRUSTEE**, taking into  
10 consideration the cost of this service in the financial market and the banking provisions that to  
11 this respect may be established in the future.

12 In the event that the Trust is liquidated, transferred or terminated in a term under three months,  
13 the **Trustee** shall be recognized a commission that covers at least that term.

14 In addition to the mentioned fee, the **Trustee** shall charge, prior authorization of the Special  
15 Committee of the Trust, all expenses incurred in this Trust Agreement, as long as those expenses  
16 are to the benefit of the same and for the fulfillment of its purposes, according to the law.

17 **CLAUSE THIRTEEN**

18 **ON THE LEGAL OBLIGATIONS OF THE TRUST**

19 The **Trustee** is authorized to pay with the funds available in the Trust the taxes and charges  
20 pursuant to Article 651 of the Commercial Code. In every case the **Trustee** must communicate  
21 in writing each month to the Special Committee of the Trust of payment or payments that if has  
22 made for this purpose.

23 **CLAUSE FOURTEEN**

24 **ON THE FORCE AND TERM OF THE TRUST**

1 This Trust Agreement shall not enter into force and therefore shall have no legal consequence  
2 whatsoever insofar as it is not ratified by the Assembly of Creditors of FEDERATED  
3 INTERNATIONAL BANK, LIMITED and the legal transfer of the assets and liabilities referred  
4 to in Clause One of this Trust agreement is not completed.

5  
6 This Trust Agreement shall have a term of one year as of its execution and it shall be  
7 automatically renewed for equal terms if neither opposition in writing of any of the parties with  
8 at least thirty days of anticipation, also there may be anticipated termination of the Trust by  
9 agreement between the Special Committee of the Trust and the TRUSTEE.

10 Notwithstanding the above, it may be terminated in anticipation when any of the circumstances  
11 established in Article 659 of the Commercial Code concur, except section d), in which case the  
12 **Beneficiaries** or whom they may designate, shall receive in cash and/or documents the patrimony  
13 of the Trust and its return, as provided in Articles 647 and 659 of the Commercial Code.

14 The variations to the Trust Agreement agreed in writing between the Special Committee of the  
15 Trust and the **Trustee** shall form an integral part of the same and shall be incorporated by  
16 Addendum or Letter of Understanding.

17 In all that is not provided for in this agreement, the parties shall abide for its interpretation by the  
18 rules contained in the Commercial Code of the Republic of Costa Rica and by the criteria and  
19 opinions issued by the **Trustee**.

20 **CLAUSE FIFTEEN**  
21 **ON DISPUTE RESOLUTION**

22 The parties hereto expressly and irrevocably agree that every controversy, difference or claim  
23 that may arise from this Agreement y from every amendment to the same o relative to this  
24 Agreement, including in particular its formation, validity, forcefulness, interpretation, execution,  
25 ~~non-compliance or termination, as well as those non-contractual claims, shall be submitted to~~

1 arbitration for their definitive solution, in accordance with the Law on Alternative Resolution of  
2 Conflicts and Promotion of Social Peace and the Regulations on Conciliation and Arbitration of  
3 the Costa Rican Chamber of Commerce, to which rules the parties unconditionally submit  
4 themselves. The arbitration shall take place in San José, Costa Rica at the Offices of the  
5 Conciliation and Arbitration Center of the Costa Rican Chamber of Commerce.

6 The award of said arbitration Tribunal shall be definitive and final to the parties, producing *res*  
7 *judicata*. Every matter related to the arbitration that does not contravene what has now been  
8 provided shall be handled according to the provisions of the Law on Alternate Resolution of  
9 Conflicts and Promotion of Social Peace.

10 **CLAUSE SIXTEEN**

11 **ON PARTIAL NULLIFICATION**

12 The declared nullification or illegality of any of the provisions of this Trust Agreement shall not  
13 affect the validity, legality or enforcement of the remaining provisions, if any tribunal were to  
14 determine that any of the Clauses of this Agreement is null or illegal, the parties irrevocably  
15 agree to amend it in such way that the Trust Agreement may be executed in full, respecting the  
16 equitable character of rights and obligations of the parties.

17 Having read the above and being the parties in agreement, we sign in the city of San José at  
18 eleven hours of the twenty-ninth day of the month of October nineteen ninety-eight.

19  
20 **FEDERATED INTERNATIONAL BANK, LIMITED**

21  
22  
23 **PRINCIPAL GRANTOR**  
24

1 CARLOS BONILLA AYUB MARIO VARGAS ALVARADO PABLO CRUZ MONGE

2

3

4

FEDERACION DE COOPERATIVAS DE AHORRO Y CREDITO, R.L.

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6

SECONDARY GRANTOR

7

MARIO VARGAS ALVARADO

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10

BANCO COOPERATIVO COSTARRICENSE, R.L.

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TRUSTEE

14

DR. DENNIS MELENDEZ HOWELL

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CREDITORS OF FEDEBANK

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19

BENEFICIARIES

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SAUL WEISLEDER WEISLEDER

LEMUEL BYRAN LOPEZ

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JEANNETTE BRENES MONTERO

JOSE LUIS JOP GAZEL

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3 **CARLOS ARREA ANDERSON**

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5 **The above signatures are authentic**

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7

8 **JEANIN ALBERTO DESANTI PICADO, Esq.**

9



The following information is being provided to you for your information only. It is not intended to be used as a basis for any action. The information is based on the best available information at the time of preparation. It is subject to change without notice.

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[Illegible text, possibly a signature or stamp]

# Appendix V

November 12, 1998

Licentiate  
Federico Golcher  
KPMG Peat Marwick

Dear sir,

We acknowledge receipt of your letter dated November 10, 1998, in reference to the order issued by the Cayman Islands authorities on November 2 of this year.

Additionally, we wish to thank you for the visit by Messrs. Rodrigo Zelaya and David A. Campos, in your representation, to the meeting between the creditors' committee and the undersigned, held this past Wednesday, November 11, in which the terms of your letter were further elaborated.

In this respect, we respectfully make the following observations and comments:

1. As it is possibly known to you, Fedebank Ltd, difficulties are not limited exclusively to this entity. On the contrary, lack of liquidity is a general problem to all companies affiliated with the Fedecredito Group, which for multiple reasons of an external nature, are now in process of financial restructuring and recovery, according to the regulations applicable in each case in accordance with the entrepreneurial and legal nature [of each entity].
2. In the particular case of Fedebank Ltd., and pursuant to the requests of Grand Cayman, this past October 28 of this year, Lic. Cruz, accompanied by a representative of the firm Gomez and Galindo, [traveled to Grand Cayman] and explained in broad terms the extent of the entity's crisis as well as the different alternatives for a financial solution, among them the creation of a trust.
3. As you may understand, the crisis we faced and the depositors' request for their funds, resulted a very complex stage, from a personal and material point of view, due to the concurrence of a great number of depositors whose claims had to be looked into.

4. Furthermore, and considering the urgency and need for a solution, a committee of creditors was formed. This information was sent to Grand Cayman authorities during the crisis.
5. Notwithstanding the above, and as a result of the [actions] which have been gradually laying the foundations of the negotiation between [Fedebank] and the creditors, a liquidation was discarded and is not considered as a solution. This is due to the interest expressed by two business groups in acquiring the banking license or the bank itself. Also, the trustee must analyse other options to solve the crisis in the short- and medium-term.
6. Although we respect the legal position taken by the authorities of Grand Cayman, the order contravenes, from a practical standpoint, the preliminary agreements that took place during our visit to Grand Cayman, where the proposed process was viewed as a viable solution, and preliminarily, our request to continue with the process was accepted verbally, specially taking into consideration such critical aspects as time and, naturally, [the need] for a final position from the bank towards its creditors as to the course of action that would be taken. BUT NOT  
IN WRITING  
-BE CARESSLY  
FOR E. ALFON
7. We consider that the basic condition of keeping the Grand Cayman authorities informed has been satisfied and is in accordance with the commitment made to said authorities. However, and considering the date of the Grand Cayman order, it is important to reiterate the commitments made by Fedebank, Ltd., upon the express request of the creditors, with whom we wish to comply with the covenants contained in the Trust Agreement, due to the universal principle of voluntary agreement of the parties, to protect the interests of depositors themselves.
8. It must be taken into account that the actions and decisions taken by Fedebank as well as Fedecredito (owner of 100% of the outstanding shares) are fundamentally aimed at the protection of creditors through a coordinated, transparent and lawful process with said creditors, naturally to the satisfaction of their economic interests, which we have always considered as a priority for the authorities as well.
9. Fedebank's representatives along with the creditors themselves have concentrated on a complex process, aimed at executing the Trust Agreement with a financial institution not related with Grupo Fedecredito, which, in its capacity as trustee, has clearly defined the extent of its participation, according to the directives given by the creditors themselves through the special committee appointed therefor and which is composed by individuals of known moral, business and professional reputation.
10. The trustee with which an agreement was reached, -BANCOOP, R.L.- has extensive experience and market share in trust services and, in particular, the administration of these types of solutions. In turn, the creditors' meeting, which was called and held with the necessary and due public transparency on November

10, ratified its appointment and [expressed] its satisfaction that said entity would assume [such fiduciary duties].

11. The creditors, knowledgeable and respectful of the authorities of Grand Cayman, have expressly committed in the Trust Agreement to keep the Monetary Authority informed of the development of the process, as well as providing the information that is deemed appropriate in terms of the expectations of recovery by creditors.
12. The proposed solution through a trust has been inspired in the principle of minimum cost so as to not damage the creditors' interests. Parallel processes would not only increase costs but also directly affect the interests of the creditors. The search for solutions have also been inspired, as is usual in these types of situations, in the principle of equality between all creditors, as is expressly set forth in the Trust Agreement, as well as in the [general] health of the Costa Rican financial system.
13. We understand and respect the decision of the authorities of Grand Cayman. However, we must point out that the scope and terms of the Trust Agreement satisfactorily and sufficiently comply with the intructions issued by the authorities of Grand Cayman. Logically, given that all assets and liabilities are located in Costa Rica, and by express [execution by and between] Fedebank Ltd. and its creditors of the Trust Agreement, we consider that any action opposed thereto would jeopardize an orderly process which was achieved through the efforts of its parties. Futhermore, the proposed solution is in compliance with our legal system and our customs and practices, as evidence by the clear creditors' will [to achieve] mininum costs.
14. We must emphasize that Fedebank, Ltd., despite any doubt that may have existed, has not ceased to service, within its current possibilities and limitations, the appropriate direction and [is bound by] its sense of collaboration and duty in the search for transparent solutions to creditors, as the members of the creditors' committee themselves, who have accompanied us in this difficult process, can attest.

Therefore, and with consideration and respect to the authorities that you represent, we expressly request that you intercede so that:

1. The authorities of Grand Cayman approve, and consequently ratify the scope of the process carried out so far and, naturally, the scope of the Trust Agreement.
2. By request of the creditor's committee, if considered appropriate and necessary, the participation of [KPMG] as an observer of the process in Costa Rica be accepted and that whatever cost of said participation be assumed by the authorities of Grand Cayman, in furtherance of the economic interests of the creditors and in ratification of the concern expressed by the authorities for said creditors.

3. That all administrative actions with Bancoop be undertaken, as soon as possible, with the purpose of complying with the expectations and commitments assumed by Fedebank, by express request of the creditors.
4. Assume the commitment of keeping the Monetary Authority informed of the development of the process and not to limit the economic interests of the creditors by virtue of the financial solutions that are deemed appropriate to the benefit of the depositants.

Finally, we wish to point out that, notwithstanding the professional regard that both the creditor's committee and the undersigned have of your firm, the efforts made by the interested parties are of great value and content for the financial solution [for Fedebank] and therefore, are worthy of our consideration and support to the [trustee's] ability to handle an orderly and transparent process to the general satisfaction mainly of the creditors, so we reiterate the importance of our request.

Yours truly,

Pablo Cruz Monge

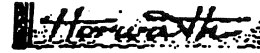
Mario Vargas Alvarado

cc. Fedecredito R.L. Board of Directors  
Creditor's committee  
Attachments



239 Calle 11  
Apdo. 7108-1000  
San José, Costa Rica

Teléfono (506) 221-4657  
Fax (506) 233-8072  
Email laudit @ sol.ricsa.co.cr



## ACCOUNTANT'S REVIEW REPORT

To Cayman Islands Monetary Authority  
Cayman Islands

We have reviewed the accompanying balance sheet of Federated International Bank Ltd. as of September 30, 1998 and the related Statement of Results for the period then ended, in accordance with generally accepted standards. All information included in these financial statements is the representation of the management of Federated International Bank Ltd.

A review consists principally of inquires of company personnel and verification that the financial statements included herein were prepared from the financial data included in the entity's Trial Balance. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly we do not express such an opinion.

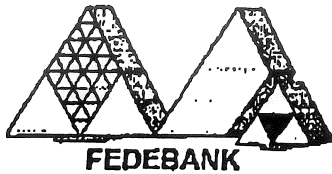
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity to the financial data included in the entity's Trial Balance.

Federated International Bank Ltd. is under financial difficulties that compromises the entity's ability to continue as a going concern. Management is structuring a process by which the entity might be administered by another bank's trust department.

This report is intended solely for the use of the Cayman Islands Monetary Authority.

San José, Costa Rica  
November 4, 1998

A handwritten signature in black ink, appearing to read "Lara Eduarte".



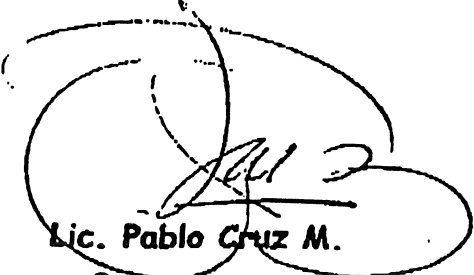
**Federated International Bank, Ltd.**

**Balance Sheets**

**September 30, 1998**

**(Expressed in U.S. dollar)**

<b>Assets</b>	
Cash and cash equivalents	1,908,407
Certificates of deposit	779,485
Loans	18,009,296
Accounts receivable, interest and other assets	10,575,084
Fixed assets - net	23,726
<b>Total assets</b>	<u><u>31,295,997</u></u>
<b>Liabilities and shareholders</b>	
<b>Liabilities</b>	
Time certificates of deposit	18,451,695
Customer deposits	880,542
Notes payable	2,057,884
Interest and other accounts payable	7,200,285
	<u>28,590,407</u>
<b>Shareholder</b>	
Capital authorized	2,602,000
Accumulated Profits	129,141
Net profit (loss) for the period	(25,551)
	<u>2,705,590</u>
<b>Total liabilities and shareholders</b>	<u><u>31,295,997</u></u>

  
**Lic. Pablo Cruz M.**  
**Gerente**

  
**Crisanto Avendaño A.**  
**Comador**



## Federated International Bank, Ltd.

### Statements of Result

September 30, 1998

(Expressed in U.S. dollar)

Interest income	<u>1,570,879</u>
Interest on loans	1,473,981
Interest on certificates of deposit	96,898
Interest expense	<u>1,365,475</u>
Interest on time certificates of deposit	1,031,171
Interest on customer deposits	207,699
Interest and commissions on notes payables	<u>126,605</u>
Net interest income before provision for credit losses	205,404
Provisions for credit losses	-
Net interest income after provision for credit losses	<u>205,404</u>
Other income	173,385
Operating Expenses	<u>404,340</u>
General and administrative expenses	404,340
Net profit (loss) for the period	<u><u>(25,551)</u></u>

Lic. Pablo Cruz M.

Gerente

Crisanto Avendaño A.

Contador

**Federated International Bank Limited  
(Fedebank)**

**Licence N° 90011**

**Detailed breakdown of de Bank's depositor and other creditors**

	<b>Customer Number</b>	<b>TOTAL</b>
Less than US\$ 5,000	407	435,746.87
US\$ 5,000 - US\$ 9,999	56	666,633.92
US\$ 10,000 - US\$ 19,999	43	580,790.95
US\$ 20,000 - US\$ 49,999	37	1,098,430.36
US\$ 50,000 - US\$ 99,999	30	2,117,107.27
US\$ 100,000 - US\$ 199,999	16	2,244,242.64
US\$ 200,000 - US\$ 499,999	11	3,293,658.79
US\$ 500,000 and over	9	8,895,626.20
	<b>609</b>	<b>19,332,237.00</b>



THIS DEED OF INDEMNITY is made the            day of November one thousand nine hundred and ninety eight by [GOVT. ENTITY] of

in favour of **ROY M. MCTAGGART** and **FEDERCIO A. GOLCHER** of P.O. Box 493 GT, Grand Cayman, Cayman Islands and [address] respectively (together and each of them joint and severally "the Controllers").

WHEREAS:-

1. The Controllers were appointed by directive of the acting Governor in Council dated 2<sup>nd</sup> November 1998 as Controllers of Federated International Bank Limited (FEDEBANK) ("the Company") pursuant to Section 14 (1)(v) of the Banks & Trusts Companies Law (1995 Revision); and
2. The Controllers were appointed joint and severally to assume control of the affairs of the Company and to have mutatis mutandis all powers of a person appointed as receiver or manager of a business appointed under Section 18 of the Bankruptcy Law (Revised), such powers being set out in an Order of the Grand Court dated 5<sup>th</sup> November 1998.

NOW THIS DEED WITNESSETH as follows:-

In consideration of the Controllers agreeing to accept such appointment to assume control over the affairs of the Company.

- (a) [GOVT ENTITY] undertakes to pay in full or in part (as the case may be) the costs and disbursements of the Controllers incurred in connection with their office and the exercise of their powers thereof (including but not limited to the Controllers' costs and the costs of any bond or other insurance that the Controllers deem it necessary to put into place) in the exercise of the Company's business and/or affairs (including the Liquidators' costs and the cost of the Liquidators' bonds).

- (b) [GOVT ENTITY] will keep the Controllers and their partners now or in the future and their personal representatives estates and effects at all times fully indemnified against all actions, proceedings, claims and costs arising out of any act, matter or thing done by the Controllers in the proper performance of their duties as Controllers of the Company or any act in connection with or arising out of the appointment of the Controllers prior to the date of this Deed or any act specifically done in accordance with any direction, instruction or request of the [GOVT ENTITY] or the Monetary Authority or Attorney General and in particular any direction, instruction or request to collect in, distribute or deal in any way with the assets of the Company. Provided always that this Deed of Indemnity shall not apply if and to the extent that the action proceeding the claim and/or cost in question arises out of, or is attributable to, any wilful misconduct or fraud on the part of the Controllers.
- (c) [GOVT ENTITY] further undertakes to pay in cash within seven days of demand all amounts certified by the Controllers in writing to be properly due and payable hereunder, provided that [GOVT ENTITY] does not, within seven days of receipt of the said demand, certify that such amount is the subject of a bona fide dispute. If [GOVT ENTITY] shall so certify, [GOVT ENTITY] shall instruct the Controllers to take or to procure that the Company take, at the expense of [GOVT ENTITY] such reasonable steps or proceedings as [GOVT ENTITY] may consider necessary, subject to the Controllers being indemnified by [GOVT ENTITY] against all liability and reasonable costs and expenses.
- (d) [GOVT ENTITY] irrevocably waives all rights to set-off an amount payable by it under paragraph (c) above, against any claim or counterclaim it may have against the Controllers howsoever arising.
- (e) The undertaking as to costs set out above shall include, without limitation, costs and expenses (legal, litigation, taxation or otherwise) properly incurred in defending or dealing with claims made against the Controllers.
- (f) The Controllers receive the benefit of each and every of the covenants, undertakings and indemnities contained herein for themselves and as trustees for each and every of their



partners now and at any time in the future and the respective estates and effects and [GOVT ENTITY] expressly confirms that this Deed may be directly enforced against [GOVT ENTITY] by such partners and their respective estates and affects.

- (g) If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect, then the legality, validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
- (h) Should the appointment of the Controllers be in any way terminated whether by agreement or as a result of any action or order or quasi judicial act the terms of this indemnity shall continue to bind [GOVT ENTITY] and shall remain of full force and effect.
- (i) This indemnity will be governed by and construed under Cayman Islands law and [GOVT ENTITY] and the Controllers hereby irrevocably submit to the non-exclusive jurisdiction of the Courts of the Cayman Islands.

AS WITNESS whereof [GOVT ENTITY] and the Controllers hereunto affixed their hands and seals or their Common Seal the day and year first above written.

THE COMMON SEAL OF

[GOVT ENTITY]

was hereunto affixed in the presence of

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For and on behalf of [GOVT ENTITY]

- As of November 2, 1998, the directors and managers of Fedebank have been relieved of their authority to lawfully represent the bank;
- As of November 2, 1998, the sole legal representatives with sufficient authority to bind Fedebank are Mr. Roy McTaggart and the undersigned; and,
- As of this date, we formally assume control of all operations, assets and liabilities of Fedebank, in furtherance of the directives issued by the governmental authorities of Cayman Islands.

Also, we request you deliver, authorize and procure the delivery, or indicate the location with the purpose of collecting, the following information and documentation of Fedebank:

- Financial and accounting information (detailed trial balance, auxiliary records for fixed assets, loans, liabilities and checking accounts);
- Fedebank's checking account statements for the last three months;
- Fedebank's accounts statement for the last three months for all transactions carried out through brokerage firms or other intermediaries;
- Minute books and other corporate documentation of Fedebank; and,
- All agreements, of whatever nature, to which Fedebank is a party.

Also, be advised that the abovementioned order from the authorities of Grand Cayman is made at the expense of grave legal consequences for Fedebank itself and its former representatives, pursuant to the laws of Cayman Islands and Fedebank's banking license agreement.

Trusting your full cooperation, yours truly,

Federico A. Golcher  
*Controller appointed by the Governor  
in council of Cayman Islands.*



The following observations and comments  
 were made during the visit to the  
 site of the proposed project on  
 the morning of November 15, 1961.  
 The site is located in the  
 area of the proposed project  
 and is situated on the  
 following property and contains  
 the following items:  
 1. A large area of open  
 land, approximately 100  
 acres in size, which is  
 currently being used for  
 agricultural purposes.  
 2. A small building, which  
 appears to be a storage  
 shed or a small workshop.  
 3. A few scattered trees  
 and shrubs.  
 4. A small stream or  
 ditch, which flows  
 through the site.  
 The site is generally  
 well-kept and appears to  
 be in good condition.  
 There are no signs of  
 any recent construction  
 or excavation work.  
 The surrounding area is  
 mostly open land, with  
 some scattered trees and  
 shrubs. The site is  
 located in a rural area  
 and is surrounded by  
 fields and woods.

November 15, 1961  
 [Signature]

## Appendix IV

Mr. Pablo Cruz Monge  
Managing Director  
Federated International Bank, Ltd.  
San José, Costa Rica

November 10, 1998

Dear sir,

As you are aware, on November 2, 1998, the Governmental Authorities of Cayman Islands ordered the intervention of the affairs of Federated International Bank, Ltd. (Fedebank) for considering that "is or appears likely to become unable to meet its obligations as they fall due and is carrying on business in a manner detrimental to the public interest, the interest of its depositors or beneficiaries of any trust, or other creditors".

Specifically, and pursuant to section 14(1)(v) of the Banks and Trust Companies Law (1995 Revision), the Governor of Cayman Islands has commissioned the undersigned and Mr. Roy McTaggart to, jointly and severally, assume control of the operations of Fedebank (which shall be referred to as "Controllers"). Also, it has ordered that all necessary action be taken to manage the affairs of Fedebank with purpose of reaching a prompt solution to its financial difficulties, which includes, but is not limited to:

- Assume the control of all of Fedebank's property and assets of whatever nature;
- Take possession of all books, records and other documentation related to the operations of Fedebank;
- Oversee that the directives issued to Fedebank by the Governor of Cayman Islands on October 6, 1998 are complied with;
- Carry out any negotiation with third parties as would be necessary to arrive at an orderly solution of the financial situation of Fedebank.

Also, the Grand Court of the Cayman Islands, in its resolution of November 6, 1998, granted Fedebank's Controllers the same authority of a receiver, pursuant to section 18 of the Bankruptcy Law of said jurisdiction. Such authority includes, but is not limited to:

- All powers necessary and sufficient to take possession of all of Fedebank's real or personal property, all books, papers and documentation, as well as to exercise the authority granted with the purpose of acquiring or retain its possession and protect the rights of Fedebank's creditors.
- All powers necessary and sufficient to verify or collect all monies owed to Fedebank, including the taking of any judicial or quasijudicial action, as necessary;
- All powers necessary and sufficient to examine all books and documentation related to Fedebank's operations;
- All powers necessary and sufficient to dispose of Fedebank's real and personal property, through private contract or public bid, as well as to transfer its assets to third parties, provided that such actions are deemed necessary to preserve and protect the value of Fedebank's assets or business;
- All powers necessary and sufficient to assume control of the affairs of Fedebank, and/or preserve and protect the value of its assets or business;
- All powers necessary and sufficient to establish or respond to any action, suit, prosecution or any other judicial or quasijudicial procedure, of a civil or criminal nature, in the name and for the account of Fedebank;
- All powers necessary and sufficient to submit any conflict to arbitration, negotiate a debt, claim or obligation, present or future, certain or contingent, liquidated or unliquidated, between Fedebank and any third party;
- All powers necessary and sufficient to formalize any agreement or commitment related to any claim derived from or incidental to Fedebank's assets;
- All powers necessary and sufficient to do or execute all that is necessary to conduct and control the affairs of Fedebank, including, but not limited to, the powers necessary and sufficient to revoke, in the name of Fedebank, any power of attorney or any existing deed or instrument; and,
- All powers necessary and sufficient to grant, in the name of Fedebank, whatever power or instrument that is deemed necessary to carry out Fedebank's business or for the exercise of the granted authority, as well as to take all actions required to have such authority registered or acknowledged, either in the Cayman Islands or elsewhere.

Therefore, in execution of the order of the Government of Cayman Islands, we formally inform you of the following: