

OFFSHORE BUSINESS NEWS & RESEARCH

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| TO: | Bill Wallace | FROM: | David Marchant |
| COMPANY: | Pannell Kerr Forster | DATE: | 10/26/00 |
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NOTES/COMMENTS:

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Offshore Business News & Research

October 26, 2000

Bill Wallace
Pannell Kerr Forster
Nassau
Bahamas

Dear Mr. Wallace,

As discussed by telephone earlier today, I am researching the credibility of Pannell Kerr Forster in relation to its role as auditor of mutual funds under the control of the Imperial Consolidated Group.

My company's newsletter, Offshore Alert, has published several articles about ICG, particularly its apparent involvement in high yield investment programs and its brushes with regulators in various jurisdictions, and is carrying out research into the group on an on-going basis.

As part of that research, I put to you the following questions, the answers to which, if I receive any, will be published in a future edition of Offshore Alert:

1. Has Pannell Kerr Forster completed an audit(s) of the mutual funds operated by the Imperial Consolidated Group in Grenada and the Bahamas? If yes, are these audits being made available to investors in the mutual funds, as is common in professionally-run mutual funds?
2. The financial strength of ICG's mutual funds appears to rely on companies registered in the British Virgin Islands, i.e. I.C.F. (Betta) Ltd., I.C.P. (Betta) Ltd. and I.C. Financiers Ltd. Have these companies been audited? If no audits of the above BVI-registered companies have been carried out, how can Pannell Kerr Forster carry out a credible audit of the mutual funds?
3. The custodian of the Grenada funds, Imperium Bank, is registered in a jurisdiction that is rife with crime and appears to have no credible regulation of its offshore sector, as evidenced by the \$150 million fraud carried out recently by the First International Bank of Grenada with the apparent co-operation of the chief offshore regulator, Michael Creft, and the Grenada government. Additionally, the Legal Advisor of ICG's mutual funds, St. Louis and St. Louis, performed services for the FIBG group and others who are or have committed crimes in Grenada. Additionally, two of ICG's principal officers, Jared Brook and Lincoln Fraser, have been directors of several companies registered in England & Wales which were dissolved or liquidated, e.g. O.T.A.N. Ltd., Fraser Brook (Retail) Ltd., Fraser Brook Corporation Ltd., OS Solutions International Ltd., Feel Link International Ltd., Ares International Ltd., Leisure Club Ltd., Progressive Leisure Corporation Ltd. and Progressive Leisure (Wales) Ltd. As an auditor of mutual funds that are being sold to the public, is any of the above cause for concern?
4. The Imperial Consolidated Group, which includes all related and affiliated entities, such as Imperium Bank, United International Administrators, etc., acts as custodian, administrator, registrar, transfer agent and investment manager for its Grenada mutual funds. Is such a conflict of interest usual in mutual funds and should it cause concern for an auditor?

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5. The Imperial Consolidated Group has been linked with various high yield investment programs, evidence of which I have in my possession should you wish to see it, and has been subject to regulatory brushes in New Zealand, Barbados and the Bahamas. Given this background, is Pannell Kerr Forster satisfied about the credibility of the group and the services it is offering to the public?

I would appreciate answers to these questions or, at the very least, some form of response by 5 p.m. EST, Friday, November 17.

Sincerely,

A handwritten signature in dark ink, appearing to read "DM", written in a cursive style.

David Marchant
President