

**LA HOUGUE FINANCIAL MANAGEMENT SERVICES
LIMITED**

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6th July 2000

I am aware that we are delinquent in not providing the follow-up information on methods of moving funds, for which I apologise, but I have been heavily involved in many things and am now only just seeing the light of day through the stack of working papers.

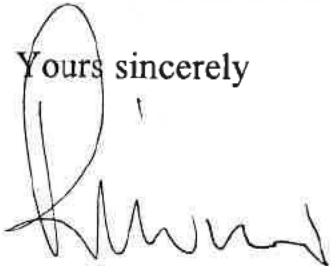
Attached is the summary of items which come to mind and, in some cases, there is additional documentation, which I would propose Wayne sends to you by courier when he is in Canada later this month. Naturally, I have a concern that any of these papers should fall into the wrong hands, so please guard them carefully.

Hopefully, they further expand on matters which we discussed at our meeting in early May, and I look forward to hearing from you should you require any further clarification.

Perhaps, when you have had a chance to consider the papers and discussed them with the family, we can plan the way forward.

In the meantime, best regards

Yours sincerely



R G de W WIGLEY
MANAGING DIRECTOR

CONFIDENTIAL INFORMATION

Summary of methods available to enable the movement of assets offshore

1. Metrocab option (see separate sheet, which was sent with letter 24th May, 2000).
2. Los Cabos property investment (see separate sheet).
3. Currency Fund investment (see separate sheet).
4. Mortgage on property with subsequent foreclosure which effectively moves ownership (see separate sheet).
5. Option to purchase property (see separate sheet).
6. Purchase of existing owned property through an offshore entity at lower than current value with right of dower and/or low cost lease arrangement (see separate sheet).
7. Consultancy fees/Agents' remuneration from currently owned business re introductions and services provided (see separate sheet).
8. Re-directing funds due from third parties (see separate sheet).
9. Various methods of remitting small amounts offshore (see separate sheet).
10. Loans not repaid and investments which go bad (see separate sheet).
11. Offshore investment into client owned businesses (see separate sheet).

LOS CABOS S.A. de C.V. – INVESTMENT

La Hougue currently own and control, on behalf of various clients, a 65 acre property development on the east cape of the Baja California peninsula, Mexico, which investment will total in excess of US\$2 million and, as can be evidenced by the attached brochure and site plan, significant information can be provided to justify an investment by an outside person of easily up to US\$200,000/US\$300,000, which investment it would not be expected would generate any income but ultimately a capital gain.

An agreement would be drawn up and the remittance would be made payable to Los Cabos, which monies would be credited, through La Hougue, direct to the client's account. If enquiries were made by the investor's Tax Authority, suitable confirmations and assurances as to the non-profitability can be given to show that, to date, there had been no capital gain and no income distributions had occurred.

It should be noted that only the land is retained in the name of Los Cabos and the business transaction is solely under the control of La Hougue. No information could be obtained separately by any investigating party.

DANEHILL CURRENCY FUND INVESTMENT

This investment is based on the investor entering into an agreement with Danehill Trading Limited or other suitable Corporation, which Company is under the control of La Hougue, the transaction effectively being based on Danehill lending to the investor a sum of money, which is then placed in units of the Currency Fund at a subscription price, for which certificates are issued. The monies are placed in various currencies, the aim being to increase the value of the Fund by the switch of monies into different currencies. Because this arrangement was entered into a number of years previous to the actual transfer of the funds, currency fluctuations are monitored and the record of the investment shows increase in capital value, with some drops. However, towards the end of the period, there is a significant drop in the value of the units and the investor makes a decision to cut his losses. He is then required to pay the amount of the loss on the Currency Fund units, together with the interest which was payable on the loan granted.

The investor then remits funds to Danehill Trading Limited for the amount of his loss, which monies are directed to his client Trust account.

Agreements and documentation as per the attached examples are provided, together with half-yearly reports showing unit values and the profit or loss on the investment to date.

MORTGAGE ON PROPERTIES WITH SUBSEQUENT FORECLOSURE AND EFFECTIVE CHANGE OF OWNERSHIP

The client who wishes to move a property asset offshore, having used other methods to build up a fund of offshore monies, obtains a mortgage against the property, which he wishes to transfer offshore, for, say, 70% of the then current value. Interest only is paid for eighteen months/two years after which the mortgage is allowed to fall into default. Foreclosure then takes place and, because there is no repayment, the lender, which is an offshore entity, takes possession of the property and the client will have used other methods to move offshore the mortgage monies provided in the first instance.

Note – careful consideration as to the jurisdiction of the lender will be required so as to ensure that there are no restrictions on the lender ultimately taking title to the property or a re-valuation of the original cost base when the transfer of title takes place.

**METHODS OF DIRECTING A PORTION OF
PROPERTY SALE PROCEEDS OFFSHORE**

If the client is envisaging selling an existing property, of which he does not wish to retain ownership, then an option could have been granted to an offshore party some time previously at a price which is commercial, but significantly less than the price which the property is expected to realise.

The option is so worded that, in the event the property owner wishes to cancel the option, then a penalty is payable. Because the penalty figure is less than the difference between the option price and the price actually realised, it makes commercial sense to pay the penalty, which monies are deducted from the sale proceeds and paid offshore, thus reducing the capital gain.

Tax advice as to the tax efficiency of reducing the capital gain will need to be taken in the jurisdiction where the property is situated, but even if the capital gains tax has to be paid, there is a legitimate reason for the payment of a reasonable sum of money offshore, i.e. the option penalty.

**OFFSHORE PURCHASE OF A PROPERTY,
OWNERSHIP OF WHICH IS STILL REQUIRED BY THE CLIENT**

To reduce the then capital gains tax and obviate future capital gains taxes, a client can sell his property offshore, reflecting, to some extent, a lower value to that which would be achieved if an ordinary sale took place. This is because the seller could retain a right of dower for the present occupant, i.e. giving them a right to occupy for a number of years at a reduced rent to that which would normally be commercial because the new purchaser would have the right to one month's occupancy in every twelve months after giving the tenant three months written notice. By so doing, this uncertainty of occupation would mean that the lease terms would be significantly less than those applying to normal occupancy agreements.

This arrangement would stand up to scrutiny as the offshore Company has both indicated a need to occupy the property for up to one month a year, acquired it for a lower than normal commercial price and has a good opportunity to capital growth on the value of the property, together with a reasonable income return on the lease.

**CONSULTANCY FEES/AGENTS' REMUNERATION
AND OTHER AMOUNTS WHICH COULD BE REMITTED
OFFSHORE FROM THE CLIENT'S RESIDENT BUSINESSES**

According to the business activities of the client, there are usually opportunities to complete a Consultancy arrangement with an offshore Company, which arrangement will purportedly benefit that Company, e.g. find sales outlets, advice on how better to run the business, provide business introductions, etc., which services appear justified. Fees are paid against invoices, which results in monies being credited to the client's Trust account. Also, the deductions against the client's local business expenses reduce the client's taxes locally.

(In some cases, distribution arrangements can be made, which effectively give commissions on the total turnover of the client's business, particularly when products are exported abroad).

RE-DIRECTING FUNDS DUE FROM THIRD PARTIES

In various instances, as long as careful consideration is given as to the knowledge of the business transaction to the local Tax Authority, there are opportunities to take fees/earnings, in particular one-off payments, which are due to the client's business, and transfer the monies offshore by sending on the payment instrument (e.g. Bank draft), there then being no record of the receipt of the funds in the client's country. The funds remitted offshore would be credited to the client's Trust account.

As mentioned above, such monies must not be reportable by the entity issuing the payment. This arrangement is extremely effective with remittances received from entities resident in countries other than the client related entity.

**VARIOUS METHODS OF REMITTING
SMALL AMOUNTS OFFSHORE**

Albeit that there are some costs incurred, the client can move relatively small amounts of funds offshore on a regular basis by issuing cheques to various people, which are sent for the ultimate credit of the client's Trust account. Also, buying Travellers' Cheques, which are then signed over and credited to the client's Trust account. Money Orders can be purchased through Post Offices and numerous other ways of transferring amounts of up to US\$10,000 can be achieved on a regular basis, all of which are easily explained by the client by reporting them as small insignificant gifts, holiday costs, and normal cash expenditure.

The regular amounts remitted must not be out of line with the client's monthly expenditure on sundry small items.

LOANS (NOT REPAID) AND INVESTMENT (BAD)

The client can make a reasonable number of small loans to non-resident entities, some of which are repaid and the interest declared thereon, but some are not repaid and the monies are written off, these funds ending up in the client's Trust account.

The client can also make investments, in line with their existing investment levels, in offshore capital appreciation arrangements, some of which pay out, but others go bad, e.g. the Los Cabos deal, but on a smaller scale, a number of which we or associated Companies are in a position to confirm. They are risky business opportunities, the majority of which come to fruition, but in some cases do not and these funds end up in the client's Trust account.

OFFSHORE INVESTMENT INTO CLIENT OWNED BUSINESSES

The client, through his offshore Trust account, could sell or raise monies into his local business by selling a percentage of the Company, which would then protect that percentage from taxes on future capital growth and, in the event there were other outside investors, provide a hidden additional voting percentage.

This arrangement normally works for up to a 49% ownership and is particularly attractive when there is knowledge that there would be a significant growth in the value of the business in the ensuing period after the shares have been sold.

The offshore purchasing entity would complete Declarations of Trust in favour of the client Trust account.

Serious consideration should always be given to initially having a percentage ownership offshore of any new business acquired, i.e. instead of acquiring 100% of the new business, up to 49% would be purchased through an offshore partner which, again, leads back to the client's Trust account.