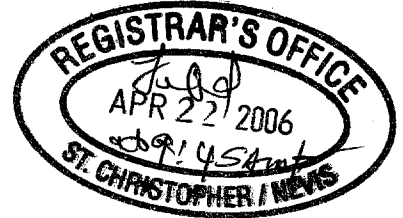


1. Claimants
2. Derrick V. Fraites
3. Second
4. Dated [] April, 2006
5. Exhibit "DVF3"

IN THE HIGH COURT OF JUSTICE
ST. CHRISTOPHER AND NEVIS
ST. CHRISTOPHER CIRCUIT
(CIVIL)
A.D. 2006



CLAIM NO. SKBHCV2003/0222

BETWEEN: RICHARD ROWE &
MARK SECRIST
(As Representative Claimants)

ADMINISTRATIVE SERVICES, LIMITED

B.M.T. LIMITED
(d/b/a The Angelus Resort, Paradise Beach
Resort & Casino or Paradise Beach Resort
and Convention Center)

J.I.K. LIMITED

THE EXECUTORS of the Estate of Bill
Gagnon *also known as* Bill Sherwood,
Deceased)

ROBERT MORSE ESTES
(Individually and as Executor of the
Estate of Mary Estes, Deceased)

PARADISE PARTNERS LIMITED

CLAIMANTS

1ST DEFENDANT

2ND DEFENDANT

3RD DEFENDANT

4TH DEFENDANT

5TH DEFENDANT

6TH DEFENDANT

SECOND AFFIDAVIT OF
DERRICK V. FRAITES

I, **DERRICK V. FRAITES**, of 34 Fort Thomas Road, Basseterre, St. Kitts, being duly sworn, **MAKE OATH** and say as follows:-

1. The contents of this Affidavit are true and are made from my own personal knowledge. Where I refer to information derived from other sources or people I give the source of that information and I confirm that I believe it to be true.
2. I crave leave to refer to my previous affidavit sworn in these proceedings on the 4th June, 2004.
3. I was the Office Manager at the Angelus Resort (the "Resort") between 8th November, 1998 and 26th July, 2004. As set out in my first Affidavit I was intimately involved in the administrative work arising from the businesses run initially by Bill Gagnon (also known as Bill Sherwood) and following his death, by his wife Mary Estes until her death. I then worked under the new management team of Roland Thomas, Scott Ward, and, for part of the time, Robert Estes until my termination on 26th July, 2004. During this period a number of corporate vehicles were operated out of the offices at the Resort. A full description of the way I worked is contained in my first Affidavit.
4. There are now produced and shown to me, true copies of certain documents which I dealt with while employed at the Resort and which I recognise. These documents are contained in exhibit "DVF3".
5. At pages 1 to 79 of "DVF3" appear a series of photocopies (of photocopies) of certain handwritten entries in relation to various Mutual Brokerage Limited ("MBL") accounts operated by Brad Woodard. Brad Woodard operated the MBL accounts on behalf of Bill Gagnon and subsequently Mary Estes. The MBL records, certain copies of which are exhibited hereto, worked as follows:-

- (i) Each sheet originally bore only an account designation number. By reference to page 1 of “DVF3” it is “frt0301.”
- (ii) Each sheet showed the date any transfers of money were made into the particular account by an investor, the origin of that transfer, the amount transferred and the notional running balance. References to “interest” on the transfers were to the sums of notional interest which had accrued on the sums deposited in the particular MBL account.
- (iii) It will be seen from an examination of any of the pages 1 to 79 of “DVF3” that each page contains an investor name and a trust name. By reference to page 1 the name is Patricia Fritsche and the trust is the “Asher Trust”. The information relating to the name and the identity of the trust was added to these records following the departure of Brad Woodard, when he was terminated along with Morey Cragun in 2003.

6. I did not compile these records exhibited at pages 1 - 79 of “DVF3”, but was aware of them from my work in the office of the Resort as Office Manager. The records were compiled by Brad Woodard and/or his wife, Susan Woodard. I became familiar with these records following the departure of Mr. Woodard. When that happened nobody in the office knew which account related to which investor or which trust. This was because at that time, the investor relevant to the specific record was only identified by the particular account designation number. I was therefore tasked by Roland Thomas in the spring or early summer of 2003, with “marrying up” the investor identity and trust identity with the account designation number which appeared on the MBL records and on the index cards.¹ I worked on this task with another employee, Shermelle Joseph.

¹ The originals of these documents were shipped, on the instructions of Roland Thomas, to the offices of the IRS in Atlanta, GA in the spring of 2004.

7. I understand, as a result of my work in the office, that a computer website had been set up by a technician from Dominica who worked for, or in connection with, Bank Caribe and a password issued to each of the various investors. The password was supposed to allow each investor to see what sums of money were held in their Mutual Brokerage account, including interest payments. I understood that interest was calculated at 12% per annum so long as at least US\$10,000 was held in the account for in excess of 5 months; at which point the interest would be applied retroactively i.e. backdated. In fact, there was very little money in any of the Mutual Brokerage accounts. The reason for this is that when the money was received it would be applied by Bill Gagnon and/or Mary Estes mainly to expenditures connected with the acquisition and development of the Resort. I do not know exactly how the MBL deposits were dealt with once Roland Thomas and Robert Estes took over the management of the Resort. I do know that monies continued to be paid in by investors for their MBL accounts. I also know that while Roland Thomas was in charge of the operation of the Resort some of the money sent by investors for the MBL accounts was used to pay staff salaries. The reason the MBL records were maintained so scrupulously by Mr. Woodard was that the investors needed to have confidence that the data appearing on the Mutual Brokerage website reflected the sums they had contributed. I now know that in fact the data displayed on the Mutual Brokerage website was inaccurate, the money having been applied to the acquisition and development of the Resort amongst other things.

8. At pages 82 and 83 of "DVF3" there is a schedule which I prepared not long after Mr. Woodard was terminated. I did this from files that made up the MBL records. I did this work at the instructions of Roland Thomas and Bob Estes. I had to do this when Roland Thomas needed to try to establish what the position was supposed to be in respect of the Mutual Brokerage payments and following the departure of Brad Woodard and Morey Cragun. The schedule appearing at pages 82 and 83 of "DVF3" relates to the hand written schedules previously referred to.

For example by reference to the entry for Anthony Balotta, (see page 16 of “DVF3”) it will be seen that the payment he made to MBL, described in the handwritten schedule as having taken place on the 27th December, 2001 in the sum of US\$1,579.50, is replicated in the schedule I prepared. Similarly, the payment made by Angela Benach (see page 56) in the sum of US\$5,000 on the 2nd April, 2001 also appears. I was also instructed to prepare certain schedules by Roland Thomas, when he wished to remove **all** records relating to BMT and the other Gagnon /Estes entities from the Resort premises. This was shortly before the documents were shipped to the IRS in Atlanta, Georgia, USA.

9. At page 84–95 of “DVF3” is a schedule I prepared and updated on a daily basis when funds were received from investors and deposited into the Bank. This schedule demonstrated actual monies received (and the dates of receipt) in the form of cash, cheque, or by wire transfer at the accounts held at St.Kitts-Nevis-Anguilla National Bank (“National Bank”) and paid into accounts held in respect of BMT Limited, Administrative Services Limited or Jehovah Jireh Trust. These payments were actual money coming in and which was used to develop the Resort; or for general business or personal expenditure by Bill Gagnon and/or Mary Estes or their companies; or to make payments out to investors from the sums which were supposed to be (but in reality were not) held in the MBL accounts.
10. By reference to this table it can be seen that I would show, when money was received by way of a bank draft, the bank draft number. For example the third entry on page 84 next to Thomas Borst i.e “#02176630” refers to the bank draft number used for that particular payment. I would also receive a notification from the originating bank which at this time would normally be Swiss American Bank, based in Antigua, and a further notification from National Bank when the money arrived.

11. Part of my job was to reconcile the payments in and payments out and to ensure that an acknowledgement was sent out to the particular investor. At pages 96 to 100 of "DVF3" appears a true copy of a schedule I prepared on an ongoing basis. This schedule summarised the notifications which my colleague, Denise Stapleton, had received from Swiss-American Bank. The notifications were of payments made by investors to accounts in Swiss American Bank between 12 March, 2001 and 26 July, 2002. Denise would pass this information to me to allow me to draw up the schedule. These monies were, for the most part transferred on to National Bank in St. Kitts. I would check the credits and then enter that information into a cash book. Bill Gagnon, and subsequently Mary Estes, were able to, and did, transfer these monies between the various company accounts they controlled. Bob Estes also certainly used Mary Estes' signature stamp to authorise funds transfers. This stamp had been created because Mary Estes was too crippled by multiple sclerosis to write her signature. Many transfers would come into the bank account of Jehovah Jireh from investors and then be transferred by Bill or Mary to BMT Limited's account. Brad Woodard was also involved in deciding which accounts would receive subsequent transfers. This depended on which company account was short of money at that particular time.

12. I understood and was aware from my presence in the Resort's offices that it caused us a lot of trouble when an investor, who believed he had money in his MBL trust account, asked for some of it back. Again a correlation can be seen between the information contained on this schedule (pages 84 – 95) and that on the previous schedule (pages 82 and 83) which I prepared relating to the handwritten MBL records. By way of an example, Angela Benach is shown as having made a payment of US\$5,000 on 2nd April, 2001 to BMT Limited. When looked at together, these documents demonstrate that Angela Benach thought she was making a payment of US\$5,000 to the account of Mutual Brokerage Limited but that in fact this sum was transferred to the account of BMT Limited (see entry page 84, marked for purpose of this Affidavit.)

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**ADMINISTRATIVE SERVICES, LIMITED
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6TH DEFENDANT

**SECOND AFFIDAVIT OF
DERRICK V. FRAITES**

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