

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
FOR EVERGREEN SECURITY, LTD. BANKRUPTCY PROCEEDING**

May 30, 2002

To: All Unsecured Creditors of Evergreen Security, Ltd.

Dear Creditor:

This letter is being provided to you by the Official Committee of Unsecured Creditors (the "Committee") in the bankruptcy case of Evergreen Security, Ltd. ("Evergreen") to provide you with a status report on the Evergreen Case. There are currently seven members of the Committee: Brian M. Haynes (Chairman); Herbert B. Eargle; Mark D. Huzyak; Lynne Merriam (represented by her son, Aydin D. Keskiner); Zebtek, Ltd. (represented by Zachary Scholl); Overseas Adjusting Corporation, Ltd. (represented by Roger White); and Tenying Investments, Ltd. (represented by Stephenie Montith).

The Committee represents the interests of all holders of unsecured claims against Evergreen (i.e., primarily the investors in Evergreen) and one of its functions is to keep creditors informed regarding developments in the case. In recent weeks, the Committee and its legal counsel, Hans C. Beyer, Esq. ((813) 242-4402, hbeyer@wans.net), have received numerous inquiries regarding the status of the Evergreen Case and the direction which it is likely to take in the future. In response to these inquiries, the Committee is providing you with this letter.

Commencement of Case and Due Diligence

For approximately ten years, Evergreen accepted money from investors and claimed to be issuing shares in one of several conservatively managed mutual funds in return. In late 2000, Evergreen stopped making regular payments to the holders of these investments. Evergreen filed for protection under Chapter 11 of the United States Bankruptcy Code on January 23, 2001, in the United States Bankruptcy Court for the Middle District of Florida, Orlando Division (the "Court"). The Committee was appointed on February 20, 2001, and, in cooperation with certain creditors, began an inquiry into the financial affairs and history of the debtor.

After initial due diligence into the financial affairs of Evergreen, the Committee and the other active creditors determined that Evergreen's management should not be entrusted with overseeing the process of either reorganizing or liquidating the assets of Evergreen. Accordingly, motions freezing the assets of Evergreen and for the appointment of a trustee to take over the administration of the case from Evergreen were filed by the Committee, various creditors, and the Office of the United States Trustee in

late February and early March, 2001. These motions were granted by the Court; Evergreen's identifiable assets were frozen and, on March 13, 2001, R.W. Cuthill, Jr. was appointed as the Chapter 11 Trustee for Evergreen. Mr. Cuthill immediately took over primary responsibility for the management and orderly liquidation of the company's assets.

Mr. Cuthill continued the process of investigating the financial affairs of Evergreen in an effort to identify and recover the maximum amount of Evergreen's assets possible. This process included working with the Committee to identify all legal causes of action which Mr. Cuthill could bring on behalf of Evergreen to recover funds or assets for the benefit of Evergreen's creditors.

The due diligence inquiries undertaken in connection with the Evergreen Case identified the following assets which were held by Evergreen on the petition date:

- ~ \$860,000 in cash held at Colonial Bank – frozen and now held by the Chapter 11 Trustee for the benefit of creditors.
- ~ \$50,000 held in a money market account at Bear Stearns – frozen and now held by the Chapter 11 Trustee for the benefit of creditors.
- Interests in an offshore hedge fund also held at Bear Stearns – frozen and subsequently auctioned off by the Chapter 11 Trustee resulting in approximately \$1.8 million being generated for the benefit of creditors.
- Approximately 52% of the Stock in Crystal Graphite Corporation – this asset was apparently purchased by a company using funds removed from Evergreen; the company is a Canadian graphite mining company; the value of the stock remains uncertain (trading has been halted on this stock).
- Interests in exploration permits granted by the Government of Paraguay to Morrison Hidrocarburos, S.A. in which the debtor had an interest through the Zylka family – value unclear, especially in light of recent transfer of permit from the Zylka entity back to Morrison Mining, S.A., a company in which neither the debtor nor the Zylkas have an interest.
- Litigation rights against various parties – actions which have been filed are discussed below, actions which have not yet been filed will not be discussed in the interest of maximizing future recoveries.

Current Status of Evergreen Case

Recoveries for creditors in this case will come from the liquidation of the debtor's assets owned (either directly or indirectly) on the petition date (see list above), the proceeds from litigation, the proceeds from settlements pertaining to litigation, and restitution payments made in connection with criminal prosecutions and plea bargains. It

is the opinion of both Mr. Cuthill and the Committee that the greatest potential for the recovery of funds rests with the litigation efforts undertaken on behalf of Evergreen's creditors.

In August, 2001, Mr. Cuthill filed suit against (1) Martin W. Boelens, Jr., Jeffrey A. Stanley, and Willaim A. Blankenship, all former managers of Evergreen; (2) Surety Bank and Trust Company, Limited, a Bahamian bank which received substantial assets from Evergreen; (3) Crystal Graphite Corporation, see discussion above, sued to recover funds invested in Crystal Graphite but originating with Evergreen; and (4) Robert Boyd and Thomas Coyle, also former managers of Evergreen. These suits remain pending although settlement discussions are ongoing with various defendants. A motion for turnover of property of the Evergreen Bankruptcy Estate filed by Mr. Cuthill against Intrados, S.A., a Costa Rican trust company which placed investment funds with Evergreen, has been deemed to be an adversary complaint by the Court and also remains pending. Finally, on May 10, 2002, Mr. Cuthill filed suit against over seventy financial intermediaries who accepted commissions from the sale of Evergreen related products. It is anticipated that additional lawsuits will be filed in the future in an effort to recover funds for Evergreen's creditors.

The Committee along with certain creditors filed a reorganization plan in the Evergreen case on February 1, 2002. The goal of the reorganization plan was to provide a vehicle for greater direct creditor participation in the administration of the Evergreen Case. Subsequent to the filing of this plan, the Committee and other creditors have met repeatedly with Mr. Cuthill. The results of these meetings have been a renewed commitment on the part of Mr. Cuthill and the Committee to work more closely together on the Evergreen Case. Accordingly, Mr. Cuthill and the Committee have agreed to hold the creditors' reorganization plan in abeyance.

Looking Forward

All assets which were in Evergreen's possession at the time the bankruptcy case was filed have been accounted for and are being held for the benefit of Evergreen's creditors. Certain former managers and owners of the company and others with affiliations to Evergreen have been indicted and face criminal prosecutions. Some or all of these criminal defendants may enter into plea agreements which include restitution payments to the Evergreen Bankruptcy Estate. Some of these plea negotiations are currently ongoing. However, the lion's share of recoveries for Evergreen creditors are anticipated to come from the litigation which has already been commenced together with litigation yet to be filed. It is impossible to estimate at this juncture the amount of funds which may be recovered through such litigation.

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Many creditors have contacted the Committee to discuss the possibility of either suing individuals who sold them Evergreen product directly or of joining a class action suit by other Evergreen investors against, among others, certain financial intermediaries who sold Evergreen investment products. While the Committee is aware that several groups are attempting to form classes for certification (the first step in prosecuting class action litigation), it is not aware of any details pertaining to such attempts and cannot offer you any advise as to whether it is in your individual best interest to join such a group. The most common issues raised in connection with such potential litigation pertain to the applicable statutes of limitation, i.e., to the length of time within which such litigation must be commenced. Unfortunately, there are no simple answers to these issues. The statute of limitations applicable to any specific action will vary depending upon factors such as the legal theory under which the prospective plaintiff is bringing suit, the jurisdiction in which such suit is actually brought, and whether suit is commenced in federal or state court. For example, an action commenced under Florida law in state court alleging violation of the state's securities laws by a broker would be subject to a strict five year statute of limitation.

The Committee established an Internet web site to disseminate information to creditors located at www.evergreencreditorscommittee.com. Although this web site has not been updated for some time; periodic updates from the Committee and Mr. Cuthill should begin appearing again within the next several weeks so the Committee encourages you to monitor that web site periodically for additional information.

Sincerely,

Official Committee of Unsecured Creditors,
Evergreen Security, Ltd.

By: Aydin D. Keskiner