



ATTN JUSTICE(R) JAMSHAD ALI SHAHI

Securities and Exchange Commission of Pakistan
Specialized Companies Division
Non-Banking Finance Companies Department

No: SEC/NBFC-I/IIBL/2009/256

Islamabad, May 12, 2009

M/s Innovative Investment Bank Limited

Formerly Innovative Housing Finance Limited

Through its Chief Executive Officer

4th and 5th floor M. M. Tower,

28/A, Block "K", Gulberg II,

Lahore.

M/s Magreb Development Corporation Limited

Through its Chief Executive Officer

4th and 5th floor M. M. Tower,

28/A, Block "K", Gulberg II,

Lahore.

ORDER

Under Section 265 of the Companies Ordinance 1984 for investigation into the
affairs of M/s Innovative Investment Bank Limited and Magreb Development
Corporation Limited.

1. Examination of sale transactions with respect to land measuring 101-Kanal & 11-Marlas situated at Mauza Sahajpal Tehsil Lahore Cantt ("**Land in Dispute**") executed by Innovative Investment Bank Limited formerly Innovative Housing Finance Limited ("**IIBL**") and its wholly owned subsidiary Magreb Development Corporation Limited ("**MDCL**") was carried out under the authority of the Order dated April 11, 2008 issued under the provisions of Section 282 I of the Companies Ordinance 1984 (the "**Ordinance**") and an examination report dated May 09, 2008 was prepared by the duly authorized officers / inspectors and submitted to the Securities and Exchange Commission of Pakistan (the "**Commission**").

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2. The transactions with respect to Land in Dispute and its subsequent transfer to Mughal Pakistan Limited ("MPL") & Defence Housing Authority ("DHA") have prima facie cast serious doubts on the bonafide of transactions / activities. The report dated May 09, 2008 highlights various illegalities committed in the execution of sale transactions regarding Land in Dispute and has given rise to serious concerns as noted in the report dated May 09, 2008. The transfer of Land in Dispute to MPL & DHA has necessitated further investigation into the affairs of IIBL and MDCL.
3. Pursuant to Report dated May 09, 2008, a Show Cause Notice under Section 265 of the Ordinance ("SCN") dated February 09, 2009 was issued to IIBL and MDCL and an opportunity of hearing was also granted to show cause as to why inspector(s) should not be appointed to collect further evidence / information and to carry out investigations with respect to the Land in Dispute purchased in the name of MDCL from Caritas Pakistan and all other subsequent transactions.
4. In response to the SCN dated February 09, 2009, IIBL and MDCL submitted their written replies vide their letters, both dated February 20, 2009, to the Commission and neither appeared to be heard in person nor have contested the appointment of inspectors for investigations. The allegations raised in the report dated May 09, 2008 and in the SCN dated February 09, 2009 at serial nos. I to XII appear to have been admitted as the same have neither been denied nor specifically answered.
5. The contents of reply by IIBL and MDCL to SCN dated February 09, 2009 have been examined and have been found to be based on illusionary assumptions and are absolutely unsatisfactory, irrelevant and non-responsive for the following reasons.
 - (i) Mere investigations into the affairs of the Company do not in any manner undermine its credibility and goodwill. The pendency of suits before the competent Civil Courts with respect to Land in

Dispute does not in any manner bar investigations by the Commission into the affairs of IIBL and its subsidiary MDCL.

- (ii) The law governing the suits pending before the Civil Courts neither ousts nor bars the jurisdiction of the Commission to carry out the investigations and to appoint inspectors for this purpose. There is also no stay order restraining the Commission to carry out such investigations.
- (iii) The Securities and Exchange Commission of Pakistan Act 1997 (the "Act") overrides all other laws. Therefore the mere pendency of civil suits with respect to Land in Dispute do not deprive the Commission of its rights to carry out investigations in the presence of substantial grounds. The Commission being a statutory and regulatory body is within its lawful rights and is obliged to carry out investigations into the affairs of IIBL and its subsidiary with respect to the transaction concerning the Land in Dispute. The examination report dated May 09, 2008 and reply by IIBL have necessitated further and thorough investigations into the sale transactions with respect to Land in Dispute and all other subsequent related transactions.
- (iv) The post merger investigations by the Commission relating to Land in Dispute do not in any manner limit the scope of proposed investigations that have been necessitated on the basis of discovery of additional facts/ allegations leveled in the report dated May 09, 2008. Therefore any reference to the previous investigations is irrelevant as an objection.

6. Now therefore in exercise of powers of the Commission under section 265 of the Ordinance conferred upon the undersigned through SRO No. 49(I)/ 2009 dated January 23, 2009, Justice © Syed Jamshaid Ali Shah is hereby appointed to conduct investigations into the affairs of IIBL and MDCL with respect to Land in Dispute for a lump sum fee of Rs 800,000/- (eight hundred thousand rupees) (inclusive of all expenses). The agreed fee shall be payable

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by IIBL. However, 50% of the fee shall be paid in advance by IIBL to the inspector on or before May 20, 2009. The remaining 50% fee shall be paid after submission of the inspection report to the undersigned by the inspector and a bill duly verified by SECP.

7. The inspector shall use the examination report dated May 09, 2008 as reference with respect to location of Land in Dispute and other relevant terms, documents, court cases and legal proceedings mentioned therein for commencement of inspection.
8. The inspector shall commence the investigation work w.e.f. May 15, 2009 at his office situated at 11 Canal Park (Off Rana Shaukat Mehmood Road) Gulberg II, Lahore and may also visit your head office or other offices / branches as and when deemed appropriate by him. All the present and past directors and officers of IIBL and MDCL and every other person, both natural and juridical who had any dealing with IIBL and/ or MDCL in the matter of Land in Dispute, shall furnish all the information including but not limited to book of accounts, copies of agreements entered into, bank statements, copies of cheques, applications submitted to the land revenue authorities or any other authorities etc, requested by the inspector and extend full co-operation and assistance to the inspector as provided in sub-section 1 of section 268 of the Ordinance in connection with the investigation and any default whereof shall be punishable under subsection 2 of section 268 of the Ordinance
9. Without limiting the scope of investigations, the inspector shall conduct investigation on all aspects of purchase, sale / transfer of Land in Dispute, record statements of the present and past directors and officers of IIBL and MDCL and every other person, both natural and juridical who had any dealing with IIBL and/ or MDCL in the matter of Land in Dispute, scrutinize all the records, books of accounts and any other documentary evidence made available by IIBL, MDCL, their present and past directors and officers and every other person, both natural and juridical who had any dealing with IIBL and/ or MDCL in the matter of Land in Dispute and furnish a report within two months w.e.f May 15, 2009 which, among other things must address the following issues

- (i) Status of title of Land in Dispute in Revenue Record and physical possession during the tenure of Mr. Badar ud Din Khan, Administrator Crescent Standard Investment Bank Limited ("CSIBL") i.e. from August 29, 2006 to June 27, 2007.
- (ii) Role of Administrator with regard to transaction of Land in Dispute, if any.
- (iii) Fair market price of Land in Dispute on the transaction date i.e. June 29, 2007.
- (iv) In light of the fair market price of the Land in Dispute on the transaction date, whether the sale of the Land in Dispute on June 29, 2007 was undervalued or otherwise.
- (v) Status of the Land in Dispute with regard to its title and possession as of transaction date based on Revenue Record and physical condition of the Land in Dispute.
- (vi) Legal status of the transfer of Land in Dispute to DHA and MPL with reference to the pending court proceedings in respect of cancellation of senior sale deed.
- (vii) Validity of transaction executed by IIBL with reference to unregistered GPA and SPA both dated June 21, 2007.
- (viii) Validity/legal ownership of the purchaser/transferee of the Land in Dispute with DHA and MPL.
- (ix) Best time bound legal recourse available to get back the Land in Dispute in the name of IIBL if the title of transferee/purchaser is defective.

- (x) Present fair market value of the Land in Dispute.
- (xi) Specific observations regarding involvement and role played by Mr. Zulfiqar Ali Jehangir, the complainant and Mr. Waseem ul Haq Osmani in the Land in Dispute transaction as an insider for personal gains, if any.
- (xii) Negligence or mis-management or misappropriation and connivance if any on the part of sponsor, CEO and Board of IIBL (Both Present and Past) /MPL/Administrator of CSIBL and other officers of IIBL and MDCL.
- (xiii) Specific findings with regard to the role of DHA in this transaction.
- (xiv) Procedural lapses with regard to Land in Dispute on behalf of all the parties involved.
- (xv) Quantification of the loss, if any caused to the depositors/share holders of IIBL and fix the responsibility to this effect on individual as well as corporate basis. Moreover quantify illicit gains if any, accrued to such individuals/corporates.

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In addition to the above specific aspects of the matter relating to Land in Dispute, the inspector shall ensure to take into account the following general aspects while concluding his inspection findings:

- (i) material and unusual transactions / occurrences, missing links between the transactions and the resultant quantified loss to IIBL and MDCL,
- (ii) commission of illegalities including siphoning of funds belonging to the shareholders/ depositors of IIBL and MDCL, by IIBL, MDCL, both present and past directors and officers of IIBL and

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MDCL or any other person both natural and juridical who had any dealing with IIBL and MDCL in the matter of Land in Dispute.

- (iii) recommendations on the legal action to be taken against the persons who were involved in commission of illegalities mentioned at Para 10 (ii) and suggest legal ways and means to unwind the sale transaction or recovery of the Land in Dispute from the acquirers to safeguard the interest of the stakeholders of IIBL and MDCL.

- 11 The inspector shall not repeat the findings of SECP examination report dated May 09, 2008 on Land in Dispute transaction. He has to explore further missing links and information and come out with an independent comprehensive inspection report.
- 12 Five copies of the inspection report shall be submitted to the undersigned along with bill by the inspectors upon completion of the assignment.
- 13 Given under my hand and seal of this office on May 12, 2009.


SIF JALAL BHATTI
Director
Securities and Exchange
Commission (SECP)
Islamabad
12/5/2009

CC: Justice © Syed Jamshaid Ali Shah, 11 Canal Park (Off Rana Shaukat Mehmood Road) Gulberg II, Lahore