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FOCUS MANAGEMENT INC. (In Official Liquidation)

Report to the Creditors by the Joint Official Liquidators
September 19th, 2012



Raymond Chabot Grant Thornton

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Dear Creditors,

We refer to Court Orders dated February 20, 2008 and October 31, 2008 appointing Jean Robillard and Hugh Dickson as Joint Provisional Liquidators and Joint Official Liquidators respectively of Focus Management Inc. (“Focus”). It is our pleasure to enclose a copy of our fourth report to the creditors of Focus. This report should be read in conjunction with the previous reports laid on August 28, 2009, October 1, 2010 and September 27, 2011 (previous reports), along with the reports submitted by the Provisional Administrator of Triglobal Capital Management Inc. and PNB Management Inc.

The current report has been prepared exclusively for the creditors of Focus. While other parties may be interested in receiving a copy of this report we stress that we cannot accept any responsibility whatsoever in respect of any reliance that these parties may place on our report in any decision that they may make in relation to Focus.

Yours faithfully,

Hugh Dickson
Joint Official Liquidator

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Section 1

Basis of Report and Disclaimer

1. Basis of Report and Disclaimer

2. Introduction

3. Status of file

4. Resolving Focus' Affairs

Basis of Report and Disclaimer

1.1 Basis of Report

On February 20, 2008, Mr. Jean Robillard of Raymond Chabot Grant Thornton & Cie (Canada) and Hugh Dickson of Grant Thornton Specialist Services (Cayman) Limited (whilst entirely separate firms, for convenience referred to collectively as “GT”) were appointed Joint Provisional Liquidators (“JPLs”) of Focus Management Inc. (“Focus”) by the Grand Court of the Cayman Islands (the “Court”) and on October 31, 2008 were appointed Joint Official Liquidators (collectively the “JOLs”) of Focus by said Court. The terms JPLs and JOLs are used interchangeably throughout this report.

In accordance with Order 10 of The Companies Winding Up Rules 2008 (As Amended) of the Cayman Islands, this fourth report has been prepared by the JOLs solely for the purpose of reporting to the Focus creditors on the conduct of the liquidation and the state of Focus’ affairs.

This report has been prepared using the information available to the JOLs at the time of preparation. Investigations are ongoing and new information continues to be received. This may result in material changes to the information provided in this report.

1.2 Disclaimer

None of the JOLs, GT, their partners, employees, professional advisers or agents accept any liability or assume any duty of care to any third party (whether it is an assignee or successor of another third party or otherwise) in respect of this report and any such party who receives a copy of this report whether from GT or any other source shall have no right of recourse against GT, their partners, employees, professional advisers or agents.

In preparing this report, the JOLs have relied upon information available to them and have not performed an audit examination on this information. Except where specifically stated, the JOLs have been unable to establish the reliability of the sources of information presented to them by reference to independent evidence.

Section 2

Introduction

1. Basis of Report and Disclaimer

2. Introduction

3. Status of file

4. Resolving Focus' Affairs

Introduction

2.1 Introduction

On August 28, 2009, the JOLs issued a first report relating:

- the background to the JOLs appointment;
- the result of the ongoing investigation and specifics related to:
 - the visit to Focus' premises;
 - the examination of a former managing director, Mr. Austin Harris;
 - the removal of records;
 - the failure to maintain books and records;
 - Ivest and Tricap Funds diversion;
 - Horizon Bank International Ltd affairs;
 - Review of bank and brokerage accounts;
 - Axxon channelling Focus funds;
 - the investigation of property transactions;
- the claims received from creditors;
- the status of the estate ; and
- the actions considered and required to pursue various lines of enquiries and to recover funds.

A second report was issued on October 1st, 2010, which discussed mainly the following:

1. status of Focus' claim filed against Horizon Bank International Ltd ;
2. Focus' claim against PNB and PNB's proposal .
3. investigation into Focus' affairs by the Police (Law enforcement);
4. channelling of funds from Focus to PNB through Axxon and directly from Focus to PNB;
5. funding agreement between Ivest and Focus;

A third report issued on September 27, 2010 provided an update on the above-mentioned issues that had not been resolved or partially resolved at that date.

This report intends to provide an update on the following matters :

- Items 1 to 3 above ;
- the death of Joint Official Liquidator Jean Robillard and his replacement as JOL; and
- the proceedings against financial institutions .

If there are any matters for which you require clarification or further information please contact Mr. Dickson or Mr. Boily.

Section 3

Status of file

1. Basis of Report and Disclaimer

2. Introduction

3. Status of file

4. Resolving Focus' Affairs

Status of file

3.1 Update on the claim filed against Horizon Bank International Ltd (“Horizon”)

As mentioned in the previous reports, the JOLs have lodged claims with Horizon’s liquidator for a total amount of USD904,906.63 and CAD353,595.99. So far, the JOLs have received an interim dividend of USD229,172.81 from the Horizon liquidator.

Any future dividend to Focus from Horizon depends on the outcome of a USD3M proprietary claim dispute by a Horizon customer. Recurring health issue with this customer’s lawyer has caused delays. As reported by the JOLs in the previous reports, the JOLs expect an additional dividend in the region of c. USD100,000 subject to the settlement of the disputed claim. The matter is in the hands of the court for a judicial determination.

3.2 Status of the PNB Management Inc. (“PNB”) Proposal

On December 23, 2011 Focus received an amount of CAD839,017 as an interim dividend in the proposal of PNB.

Such dividend was made available following the filing and acceptance of Focus’ claim against the estate.

The JOLs expect a final dividend in the amount of c. CAD100,000 following the issuance of final assessments by the government. These funds are currently held in an interest bearing escrow account. The clearance from the government may take several months.

3.3 Law Enforcement

For law enforcement investigation purposes, the JOLs have assisted the Cayman Islands and Canadian authorities with their investigations, and have made repeated inquiries as to the prospects for criminal prosecution.

The Financial Crime Unit of the Royal Cayman Islands Police Service (“RCIPS”) has prepared a report for submission to the Director of Public Prosecutions in relation to the actions of the Cayman Islands resident director. The outcome of this is not yet known.

Similarly, the JOLs understand that the Integrated Market Enforcement Team, a special unit led by the Royal Canadian Mounted Police (“RCMP”) intends to file a report within the next 6 to 9 months to the Attorney General who will make any decision regarding prosecution of Canadian residents.

3.4 Death of liquidator, Mr Jean Robillard

The liquidation committee was advised on August 7, 2012 of the sudden death of Joint Official Liquidator, Mr. Jean Robillard of RCGT and the consequences of same under Cayman Islands Law.

It was agreed with the Liquidation Committee that the remaining Liquidator, Mr Hugh Dickson would apply to the Grand Court of the Cayman Islands for the replacement of Jean Robillard as Joint Official Liquidator by qualified insolvency practitioner, Mr Nicolas Boily of RCGT.

A Court hearing date has been set for October 11, 2012.

Status of file (cont'd)

3.5 Receipts and payments

As shown in Appendix A (Statement of Receipts and Payments), since the estate did not have sufficient funds for investigation until recently, most of the funds were provided by third parties, namely the AMF, Triglobal and Ivest.

Indeed, the AMF agreed to cover the liquidators' fees incurred in certain areas of investigation. A proposal filed with Triglobal and approved by the Court, provided some funding for the further investigation of Focus' affairs. Additionally, Ivest lent monies to Focus on conditions as per a funding agreement enabling a liquidation claim to be lodged against PNB. This was reimbursed in July 2012 from the dividend received from PNB.

Based on the current financial position of Focus' estate, absent any material recoveries from litigation, there is no prospect of recovery for the estimated US\$69 million of creditors. The JOLs are therefore concentrating on determining whether there are commercially viable causes of action that can be enforced for the benefit of creditors.

Section 4

Resolving Focus' Affairs

1. Basis of Report and Disclaimer

2. Introduction

3. Status of file

4. Resolving Focus' Affairs

Resolving Focus' Affairs

4.1 Proceedings against financial institution

The JOLs are continuing their efforts to obtain better records to identify parties to whom illicit funds may have been paid:

In February 2011 the JOLs learnt BNP went into voluntary (solvent) liquidation, having sold its banking business in the Bahamas.

On August 30, 2011 the JOLs requested bank records, correspondence and "know your client" files from BNP Paribas Bahamas Limited ("BNP"), indicating they would if necessary take legal action against BNP. The JOLs hope further investigation of these records will enable them to determine whether commercially practical litigation claims exist against recipients of Focus money and parties that may have abetted the fraud.

On December 20, 2011 the JOLs further advised BNP of BNP's potential liability for knowing assistance or negligence. The JOLs also requested that BNP suspend all liquidation payments until the JOLs' investigations are completed.

On January 17, 2012 BNP acknowledged the request for information but would continue the liquidation of BNP. However, its ultimate parent company would undertake any liability determined by the Bahamian Court on the part of BNP under certain conditions.

Since January 17, 2012, the JOLs' lawyers have been negotiating the said conditions with BNP's lawyers. In brief, efforts are ongoing to reach an agreement whereby BNP would produce relevant banking information under limited guarantee from its parent company in exchange for the JOLs agreement to either initiate legal action against them within a limited period of time or abandon any such claim.

4.2 Conclusion

At present the evidence available to the JOLs is insufficient to identify all the recipients of monies taken from Focus, or whether third parties have liability.

As stated previously, as long as the JOLs find additional funding and subject to the decision of the Liquidation Committee, they will continue to pursue known assets of Focus and follow up various actions already mentioned in previous reports. Of course, any action would be assessed on its commercial merit and the JOLs would have to consider the evidence available at the time before any action is taken.



Raymond Chabot
Grant Thornton

Appendix A

Statement of Receipts and Payments

**Joint Liquidators' Abstract Of Receipts And Payments
20 February 2008 to 31 August 2012**

RECEIPTS	USD	CAD
<i>Third party funding:</i>		
Funds received from AMF	110,607.85	269,599.17
Funds received from Triglobal	-	357,533.36
Funds received from Ivest	10,000.00	104,137.11
Advances received	145.56	3,100.00
Total third party funding	120,753.41	734,369.64
<i>Liquidation estate:</i>		
Funds received from broker	7,769.83	-
Telephone deposit refunded	79.92	-
Recoveries - Horizon, PNB	229,172.81	839,017.54
Cash at Bank (rec'd from UEB)	17,657.16	-
Bank/ISA InterestGross	64.31	0.09
Uncleared cheques refunded	9,217.42	-
Total liquidation estate	263,961.45	839,017.63
<i>Inter-account transfers</i>	<i>323,132.92</i>	<i>(325,196.55)</i>
TOTAL RECEIPTS	707,847.78	1,248,190.72
PAYMENTS		
Records recovery charges	243.90	-
Liquidators Fees (GTSS)	434,980.80	25,781.32
Liquidators Expenses (GTSS)	14,602.01	3,146.99
Liquidators Fees (RCGT)	67,594.08	318,541.93
Liquidators Expenses (RCGT)	-	3,793.02
Legal Fees (H&J/Truman Bodden)	120,794.86	3,635.61
Legal Fees (McCarthy)	-	104,293.50
Loan repayment (Ivest)	-	114,489.31
Bank Charges	468.86	75.58
Foreign exchange loss	36,892.99	6,394.36
Tax	-	29,535.74
TOTAL PAYMENTS	675,577.50	609,687.36
Cash balances in hand	32,270.28	638,503.36
	707,847.78	1,248,190.72