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FOCUS MANAGEMENT INC. (In Official Liquidation)

Report to the Creditors by the Joint Official Liquidators
September 17th, 2013

Basis of Report and Disclaimer

1.1 Basis of Report

On February 20, 2008, Jean Robillard of Raymond Chabot Inc. (Canada) and Hugh Dickson of Grant Thornton Specialist Services (Cayman) Limited (whilst entirely separate firms, for convenience referred to collectively as “Grant Thornton”) 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 of Focus. On December 11, 2012, Nicolas Boily was appointed Joint Official Liquidator of Focus in place of Jean Robillard (deceased) by said Court. References to Joint Official Liquidators (JOLs) throughout this report mean Hugh Dickson and Nicolas Boily collectively.

In accordance with Order 10 of The Companies Winding Up Rules 2008 (As Amended) of the Cayman Islands, this fifth 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 since the JOLs' last report dated 19 September 2012.

1.2 Disclaimer

None of the JOLs, Grant Thornton, 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 Grant Thornton or any other source shall have no right of recourse against Grant Thornton, their partners, employees, professional advisers or agents.

In preparing this report, the JOLs have relied upon information available to them at the time of preparation 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.

Investigations are on-going and new information continues to be received. This may result in material changes to the information provided in this report.

Status of file

3.1 Status of the PNB Management Inc. (PNB) Proposal

In 2010 the JOLs filed a CAD20 million claim against PNB. The PNB Trustee authorised Focus' claim as proven however settlement was pending a liquidation order against 4190424 Canada Inc. which order was issued on December 20, 2011. On December 23, 2011 Focus received an amount of CAD839,017 as an interim dividend. The JOLs should received a final dividend of CAD130,313.52 which brings this matter to a close.

3.2 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 advised that they have submitted a report to the Director of Public Prosecutions (DPP) in relation to the actions of the Cayman Islands resident director. The RCIPS noted that the DPP's view is that at this stage no action should be taken against the resident director and that actions against the Canadian parties involved are a matter for the Royal Canadian Mount Police, however the matter will remain open pending the outcome of the Canadian investigation.

The JOLs understand that the RCMP intends to file a report with the Attorney General who will make any decision regarding prosecution of Canadian residents.

3.3 BNP Paribas Bahamas Limited (BNP)

The JOLs are continuing their efforts to obtain better records to identify parties to whom illicit funds may have been paid, and determine whether BNP Paribas Bahamas Limited (BNP) has any liability to the estate. They have reached an agreement whereby BNP would produce relevant banking information and a guarantee from its parent company to meet any subsequent damages award against them in exchange for the JOLs agreement to either initiate legal action against them within a limited period of time (once documentation is delivered) or abandon any such claim.

In December 2012 the Cayman Court sanctioned the JOLs' entering into the BNP agreement and associated proceedings being brought in the Bahamian court. In April 2013 the Bahamian Court sanctioned the Ivest liquidators entering into the BNP agreement, commencing proceedings against BNP for disclosure or discovery of documents and information, and to apply for an Order for the examination of the former Chief Operations Officer of BNP.

In June 2013 the JOLs received a partial batch of the requested documentation from BNP. The JOLs have reviewed the documentation and action is now underway to secure the release of additional documentation thought to be critical to the JOLs investigations and determining whether there are realistic possibilities for recovery or damages actions.

3.4 Receipts and payments

As shown in the Statement of Receipts and Payments overleaf, 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. 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.

Statement of Receipts and Payments

FOCUS MANAGEMENT INC. (IN OFFICIAL LIQUIDATION)

Joint Liquidators' Abstract Of Receipts And Payments

20 February 2008 to 30 June 2013

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	70.23	0.09
Uncleared cheques refunded	9,217.42	-
Other refunds and credits	3,113.55	-
Total liquidation estate	267,080.92	839,017.63
<i>Inter-account transfers</i>	<i>423,132.92</i>	<i>(423,946.55)</i>
TOTAL RECEIPTS	810,967.25	1,149,440.72
PAYMENTS		
Records recovery charges	38,243.90	-
Liquidators Fees (GTSS)	434,980.80	227,206.64
Liquidators Expenses (GTSS)	50,120.26	9,361.62
Liquidators Fees (RCGT)	67,594.08	408,931.43
Liquidators Expenses (RCGT)	-	4,052.95
Legal Fees (H&J/Truman Bodden)	154,131.25	3,635.61
Legal Fees (McCarthy)	-	104,293.50
Loan repayment (Ivest)	-	116,568.55
Loan repayment (advances)	-	3,000.00
Bank Charges	918.76	107.87
Foreign exchange loss	36,892.99	6,381.86
Tax	-	29,535.74
TOTAL PAYMENTS	782,882.04	913,075.77
Cash balances in hand	28,085.21	236,364.95
	810,967.25	1,149,440.72

Cash balances in hand represent funds remaining from one pool of cash – the liquidation estate. Third party funding has ceased. The funding was provided by Ivest, Triglobal and the Quebec financial sector regulator, the AMF who agreed to cover the liquidators' fees incurred in certain areas to support the investigation of Focus' affairs and to assist their own investigations and regulatory action against parties involved.

Given that the funding provided by Ivest, AMF and Triglobal is entirely separate to the Focus estate, the liquidators have treated the reimbursement of their fees covered by these arrangements as a separate matter.