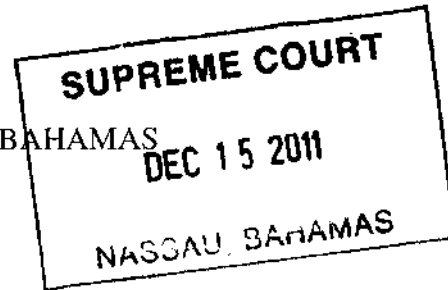


COMMONWEALTH OF THE BAHAMAS

IN THE SUPREME COURT

Commercial Division



2006/COM/bnk/00015

IN THE MATTER OF MOSAIC COMPOSITE LIMITED (U.S.), INC.
(IN LIQUIDATION)

AND

IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT
Chapter 309
Statute Laws of the Bahamas, 2000 Edition

AFFIDAVIT

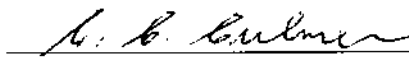
We, GEORGE CLIFFORD CULMER, of San Souci in the Eastern District of the Island of New Providence, and RAYMOND MASSI, of the City of Montreal, Province of Quebec, Canada, make oath and say as follows:

1. We were appointed Joint Liquidators of the above-named Mosaic Composite Limited (U.S.), Inc. (In Liquidation) by this Honorable Court on the 23rd day of January 2007.
2. By an Order of this Honorable Court made on the 23rd day of January 2007, the Joint Liquidators are required to file with the court a report in writing as to the position of and the progress made in the winding-up of Mosaic Composite Limited (U.S.), Inc at intervals of three months.
3. Pursuant to the said Order, this Report has been prepared by the Official Liquidators as of the 30th day of June 2010 and is exhibited hereto. We verily believe the contents of the Eleventh Report to be true.
4. The said Report summarizes the progress made since the date of our last report on the 31st day of March 2010.

SWORN to at the City of Nassau)

In the Island of New Providence)

This 15 day of December 2011)


George Clifford Culmer

BEFORE ME,



NOTARY PUBLIC

SWORN to at the City of Montreal)

In the Province of Quebec)

This 2nd day of December 2011)


Raymond Massi

BEFORE ME,





NOTARY PUBLIC

MOSAIC COMPOSITE LIMITED (U.S.), INC. (IN LIQUIDATION)
ELEVENTH REPORT OF THE JOINT OFFICIAL LIQUIDATORS
TO THE COURT

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MOSAIC COMPOSITE LIMITED (U.S.), INC.
(In Liquidation)
c/o BDO Chartered Accountants & Advisors
P.O. Box N-10144
Nassau, Bahamas
Telephone: 1-242-325-6591 Fax: 1-242-325-6592
www.bdobahamas.com

BY HAND

Supreme Court of The Commonwealth of the Bahamas

Mosaic Composite Limited (U.S.) Inc. (In Liquidation)
Eleventh Report of the Joint Official Liquidators to the Court

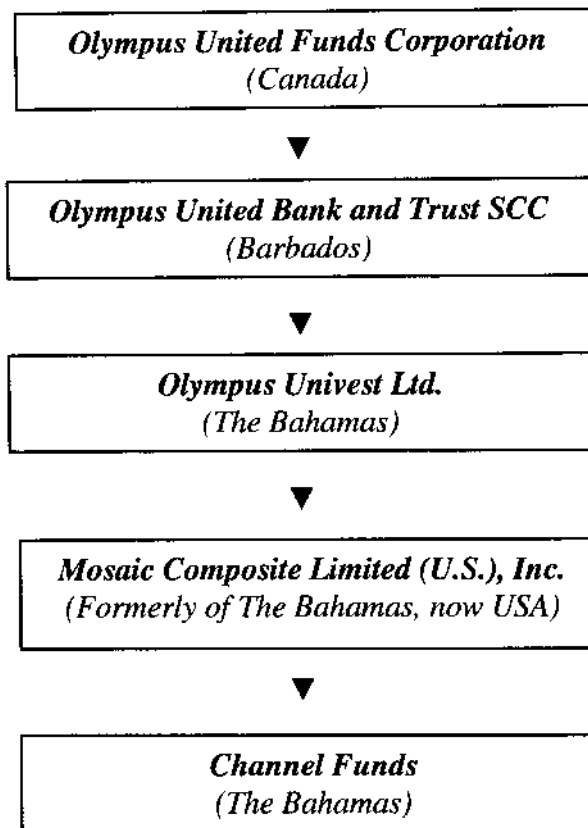
1. INTRODUCTION AND BACKGROUND

- 1.1. This report constitutes the Eleventh Report to the Supreme Court of the Commonwealth of The Bahamas (the "Bahamian Court") of G. Clifford Culmer ("Culmer") of BDO Chartered Accountants and Advisors, Nassau, The Bahamas, and Raymond Massi ("Massi") of RSM Richter Inc., Montreal, Canada, in their capacity as the Joint Official Liquidators ("Mosaic JOLs") in the liquidation of Mosaic Composite Limited (U.S.), Inc. ("Mosaic").
- 1.2. Mosaic was originally incorporated under the name of Norshield Emerging Markets Limited as an International Business Company under the Laws of the Commonwealth of The Bahamas on 27 January 1997. On 16 June 1999, the company changed its name to Norshield Composite Limited. It changed its name again on 9 May 2001 to Composite Limited, and again on 23 May 2003 to Mosaic Composite Limited. On 4 March 2005, Mosaic migrated to Anguilla and continued there as an Anguillan IBC. On 3 June 2005, Mosaic Composite Limited merged with Mosaic Composite Limited (U.S) Inc, a Minnesota company to be the current Mosaic entity.
- 1.3. Culmer and Massi were appointed Joint Receivers of Mosaic by Order of the Bahamian Court dated 20 January 2006.
- 1.4. Culmer and Massi were appointed Joint Provisional Liquidators of Mosaic by Order of the Bahamian Court, dated 22 March 2006. On 23 January 2007, Mosaic was placed under Court supervised liquidation and Culmer and Massi were appointed Mosaic JOLs (collectively, the "Orders").
- 1.5. The Mosaic JOLs present herewith their Eleventh Report in accordance with the Bahamian Court's Order dated 23 January 2007.

2. THE NORSHIELD INVESTMENT STRUCTURE

- 2.1. Mosaic was part of an intricate and complex corporate and investment structure involving multiple jurisdictions and corporations which included entities in Canada, in Barbados, in The Bahamas, and other jurisdictions. This structure is referred to as the “Norshield Investment Structure”.
- 2.2. RSM Richter Inc. was appointed Receiver pursuant to Orders of the Ontario Superior Court of Justice (Commercial List) in Canada (the “Ontario Court”) dated 29 June, 14 July, 9 September and 14 October 2005, of the following entities:
 - 2.2.1. Norshield Asset Management (Canada) Ltd.;
 - 2.2.2. Norshield Investment Partners Holdings Ltd.;
 - 2.2.3. Olympus United Funds Corporation;
 - 2.2.4. Olympus United Funds Holding Corporation;
 - 2.2.5. Olympus United Bank and Trust SCC;
 - 2.2.6. Olympus United Group Inc.;
 - 2.2.7. Honeybee Software Technologies Inc. (formerly Norshield Investment Corporation);
 - 2.2.8. Norshield Capital Management Corporation.
- 2.3. RSM Richter Inc. and Brian F. Griffith & Company, a Barbados accounting firm, were appointed Joint Custodians of Olympus United Bank and Trust SCC by Order of the Barbados High Court of Justice dated 22 September 2005.
- 2.4. Culmer was appointed Liquidator of Olympus Uninvest Ltd. (“OUL”) by resolution of its common shareholders on 19 May 2005. Massi was appointed Provisional Liquidator of OUL on 3 October 2005 pursuant to the Order of the Honourable Madam Justice Jeanne Thompson of the Bahamian Court. Culmer and Massi were appointed Joint Official Liquidators of OUL on 6 February 2006 by Order of the Honourable Madam Justice Jeanne Thompson of the Bahamian Court.

- 2.5. The flow of funds through the Norshield Investment Structure was as follows:



- 2.6. Olympus United Funds Corporation was a mutual fund investment vehicle. Each class of shares had a specific investment strategy.
- 2.7. Investments in Olympus United Funds Corporation flowed into its wholly-owned subsidiary, Olympus United Bank and Trust SCC in Barbados, wherein the said investments were purportedly segregated into different “cells” (as constituted according to Barbados banking laws) which, more or less, matched the investment strategies of each class of shares of Olympus United Funds Corporation.
- 2.8. Olympus United Bank and Trust SCC then invested its funds into Olympus Uninvest Ltd. in The Bahamas. Olympus United Bank and Trust SCC’s investments were co-mingled in OUL with investments received from pension funds and financial institutions, mostly from Canada, as well as other persons whose investments were made either in cash or by way of “in kind” contributions.
- 2.9. OUL then invested, either directly or through other funds, in Mosaic. Mosaic, in turn, held investments in both hedged and non-hedged assets.
- 2.10. Mosaic’s hedged assets consisted predominantly of two cash settled equity barrier call options with the Royal Bank of Canada which were consolidated into a single option on 31 March 2004 (the “RBC SOHO Option”). The RBC SOHO Option permitted Mosaic to invest in a basket of hedge funds

managed by various fund managers. Furthermore, the RBC SOHO Option was highly leveraged such that the basket of hedge funds had a gross value of approximately six times the value of Mosaic's actual investment.

- 2.11. Mosaic's non-hedged assets consisted mainly of investments in Channel Fixed Income Fund Ltd., which in turn held all the outstanding shares of Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. (collectively, the "Channel Funds").
- 2.12. The Mosaic JOLs have discovered that the assets of Mosaic were grossly overstated and illiquid. The Mosaic JOLs have assessed that Mosaic's investment in the Channel Funds has no value.
- 2.13. John Xanthoudakis ("Xanthoudakis") was an integral part of the Norshield Investment Structure. He determined investment strategies and had de facto control over the investment decision-making of the entities within the Norshield Investment Structure, including those entities located in The Bahamas as well as other foreign jurisdictions. Dale Smith ("Smith") was also a principal of the Norshield Investment Structure as he was an officer and/or director of various entities therein.

**3. PROCEEDINGS OF THE ONTARIO SECURITIES COMMISSION
AGAINST JOHN XANTHOUDAKIS, DALE SMITH AND PETER
KEFALAS**

- 3.1. On 11 October 2006, a Notice of Hearing was issued by the Ontario Securities Commission (the "Commission") in relation to a Statement of Allegations issued by Staff of the Commission ("Staff") alleging that Norshield Asset Management (Canada) Ltd. ("NAM"), Olympus United Group Inc. ("Olympus United Group"), Xanthoudakis, Smith and Peter Kefalas ("Kefalas") (collectively, the "Respondents") breached Ontario securities laws and acted contrary to the public interest.
- 3.2. The hearing on the merits was heard over 16 days from 27 October to 11 December 2008, and on 5 and 6 May 2009.
- 3.3. The Reasons and Decisions for the hearing on the merits was issued on 8 March 2010 (the "Merits Decision"). In the Merits Decision, the panel of the Commission made the following findings:
 - 3.3.1. NAM, Olympus United Group, Xanthoudakis and Smith failed to deal fairly, honestly and in good faith with investors, contrary to subsections 2.1(1) and 2.1(2) of OSC Rule 31-505 – Conditions of Registration;
 - 3.3.2. NAM and Olympus United Group failed to keep and maintain proper books and records in relation to the Norshield Investment Structure, contrary to section 19 of the Act and section 113 of Ontario Regulation 1015 of the Act;
 - 3.3.3. As a consequence of the positions of seniority and responsibility and in their positions as officers and directors of NAM and

Olympus United Group, Xanthoudakis and Smith authorized, permitted and acquiesced in the breaches of Ontario security laws in 3.3.1 and 3.3.2 above;

3.3.4. Xanthoudakis and Smith knowingly made statements and provided evidence and information to staff that was materially misleading and failed to state facts which were required to be stated in an effort to hide violations of Ontario securities laws, contrary to clause (a) of subsection 122(1) of the Act; and

3.3.5. Xanthoudakis, Smith and Kefalas engaged in a course of conduct that was abusive to and compromised the integrity of Ontario's capital markets and was contrary to the public interest.

3.4. A hearing occurred on 20 April 2010 to consider submissions from Staff and the Respondents regarding sanctions and costs. The decisions of the panel as to the appropriate sanctions will be received and published in due course.

4. CREDITORS AND SHAREHOLDERS

4.1. The Mosaic JOLs have commenced a claims process in The Bahamas with respect to Mosaic. The Mosaic JOLs placed advertisements in newspapers having national circulation in each of The Bahamas, The Cayman Islands, Canada, and The United States requesting that all creditors file proofs of claim in the liquidation by 15 October 2008.

4.2. The Mosaic JOLs are reviewing the proofs of claim filed in the liquidation of Mosaic. A formalized admit/reject procedure has been developed between the Mosaic JOLs and their counsel. Notices to a portion of the claimants of the results of the admit/reject process have been sent out.

5. REALIZATIONS

5.1. Mosaic's asset realizations are as follows:

| Asset | Realized (US \$) |
|---|-------------------------|
| MS-II Class B Shares | 7,286,562 |
| Dividends received from Premier Commercial Real Estate Investment Corporation | 1,990,990 |
| Interest Income | 341,003 |
| Proceeds from the liquidation of Globe-X International Limited (The Bahamas) | 673,631 |
| Proceeds from the liquidation of Globe-X Asset Appreciation Limited (The Bahamas) | 261,842 |
| Proceeds from the liquidation of Univest Fixed Return Fund Limited (The Bahamas) | <u>46,192</u> |
| | <u>10,600,220</u> |

- 5.2. Please refer to RSM Richter Inc.'s Thirteenth Receiver Report dated 17 December 2009 which provides details of Mosaic's asset realizations. This report is available at the following address:
www.rsmrichter.com/Restructuration/Norshield.aspx
- 5.3 The Mosaic JOLs have determined that Mosaic owns a 51% controlling interest in Premier Commercial Real Estate Investment Corporation ("Premier"), a publicly-traded Bahamian income trust which owns commercial real estate in The Bahamas. The Mosaic JOLs are continuing their efforts in selling the interest, while collecting Premier's dividends.

6. LITIGATIONS

Mendota and Lowell Holden

- 6.1. Lowell Holden ("Holden") is an individual who resides in Burnsville, Minnesota (U.S.A.).
- 6.2. The Mosaic JOLs have reason to believe that Holden had been the sole director and sole officer of Mosaic after its merger. The Orders of the Bahamian Court divested Holden of the authority or power to make loans or advances or to incur expenses on behalf of Mosaic or to distribute the funds thereof.
- 6.3. The Mosaic JOLs believe that Holden, in contravention of the Orders, caused Mosaic to make payments to corporations and individuals without obtaining any kind of security or guarantee to ensure repayment thereof and/or without the consent or direction of the Mosaic JOLs. The total amounts that have allegedly been advanced or transferred by Holden from Mosaic are at least CAD \$560,015 and USD \$795,722.
- 6.4. On 14 July 2009, the Mosaic JOLs filed a civil complaint in Minnesota against Holden to recover funds wrongfully advanced or transferred. On 20 August 2009, the Mosaic JOLs filed an application for entry of default. The default against Holden was entered on 21 August 2009 as he failed to respond in a timely manner to the complaint.
- 6.5. On 3 September 2009, U.S. counsel for the Mosaic JOLs filed a Motion for the entry of judgment based upon the entry of default. On 15 September 2009, counsel for Holden filed a Motion to set aside the default.
- 6.6. On 9 April 2010 the Court heard and considered both parties' respective Motions. Chief Justice Michael J. Davis granted the motion to set aside the default.
- 6.7. On 13 April 2010, a Notice of Settlement Conference was filed ordering both parties to confer upon the Honorable Jeanne J. Graham, U.S. Magistrate Judge, on 4 June 2010 and be armed with full settlement discretion. The 4 June 2010 Settlement Conference convened, but no settlement was reached between the parties.

Brooks, Di Santo

- 6.8. Mosaic held substantial investments in the Channel Funds and relied upon the audited financial statements of the Channel Funds for the fiscal years ended 30 September 2002 and 30 September 2003 (the “Channel Funds Financial Statements”) in making or maintaining investments therein.
- 6.9. Brooks, Di Santo, an unregistered firm of chartered accountants located in Montreal, Canada, audited the Channel Funds Financial Statements and issued unqualified audit reports thereon.
- 6.10. The Mosaic JOLs’ investigations, including a detailed review of the audit working papers prepared by Brooks, Di Santo in connection with the audits of the Channel Funds Financial Statements, have led the Mosaic JOLs to conclude that the carrying value of the investments and accounts receivable on the Channel Funds Financial Statements were significantly impaired, to the extent of more than \$300 million.
- 6.11. The Mosaic JOLs’ investigations have also led them to conclude that the Channel Funds Financial Statements were not prepared in accordance with International Accounting Standards, were materially misleading and did not present fairly the financial position of the Channel Funds, in that, inter alia:
 - 6.11.1. a substantial portion of the assets carried on the Channel Funds Financial Statements do not appear to be owned by the Channel Funds and therefore should not have been included in the financial statements;
 - 6.11.2. the carrying value of substantially all of the assets on the Channel Funds Financial Statements were allegedly significantly inflated, without recognition of any impairment as required by International Accounting Standards.
- 6.12. Brooks, Di Santo did not appear to have obtained sufficient appropriate audit evidence to support the ownership and valuation of the investments of the Channel Funds.
- 6.13. RSM Richter Inc. and the Mosaic JOLs commenced a claim against Brooks, Di Santo and the partners in charge of the audits of the Channel Funds Financial Statements, namely Peter Marini and Fred Ragonese (the “Defendants”), in the Superior Court of Quebec on 10 February 2010.
- 6.14. The Defendants filed four Motions requesting additional details and documents regarding the allegations in the lawsuit, the naming of a Coordinating Judge who would manage the case from the outset, security for costs in the amount of CAD\$250,000 from RSM Richter Inc., Massi and Culmer, and a suspension of the lawsuit until the Plaintiffs have filed a Litigation Plan in Ontario Superior Court in accordance with the Order of Justice Campbell dated 13 January 2010.

6.15. RSM Richter Inc. is in the process of preparing a Litigation Plan to be submitted for approval to Justice Campbell of the Ontario Superior Court.

7. RECEIPTS AND PAYMENTS

7.1. A Statement of Receipts and Payments for the period 1 April 2010 to 30 June 2010 is attached hereto as Exhibit 1.

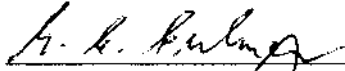
8. CONCLUSION

8.1. The Mosaic JOLs are marketing the controlling shares of Premier. Until a purchaser is found, the Mosaic JOLs will continue to collect the dividends.

8.1 The Mosaic JOLs are actively pursuing litigation against Mosaic's former director for wrongful advances and transfers made after liquidation date as well as pursuing the Channel Funds' former auditors for damages due to their negligent audits of the Channel Funds Financial Statements for the years ended 30 September 2002 and 2003.

8.2 Once the aforementioned matters are resolved, the Mosaic JOLs will be in a position to make a distribution and finalize the liquidation of Mosaic.

Respectfully submitted this 2nd day of December 2011


_____)
G C Culmer)


_____)
R. Massi)

MOSAIC COMPOSITE LIMITED (U.S.), INC. (IN LIQUIDATION)**STATEMENT OF THE JOINT OFFICIAL LIQUIDATORS' RECEIPTS AND PAYMENTS****FOR THE PERIOD 1 APRIL 2010 TO 30 JUNE 2010****(EXPRESSED IN US DOLLARS)**

| RECEIPTS | Bank Accounts in the Bahamas | | | Accounts in Canada | | Total |
|--------------------------------------|-------------------------------------|----------------|------------------|---------------------------|------------------|------------------|
| | US\$ | Cdn\$ | B\$ | Cdn\$ | US\$ | |
| Interest Income | | | 3,666 | 87 | 782 | 4,535 |
| Realized Foreign Currency Gain | | | | 123,800 | | 123,800 |
| TOTAL RECEIPTS | 0 | 0 | 3,666 | 123,887 | 782 | 128,335 |
| DISBURSEMENTS | | | | | | |
| Professional Fees | | | 13,937 | | 84,237 | 98,174 |
| Legal Fees | | | 11,370 | | 6,575 | 17,945 |
| Bank and miscellaneous charges | | 31 | 11 | | | 42 |
| TOTAL DISBURSEMENTS | 0 | 31 | 25,318 | 0 | 90,812 | 116,161 |
| (DECREASE) INCREASE IN CASH | --- | (31) | (21,652) | 123,887 | (90,030) | 12,174 |
| Cash Balance as at 31 March 2010 | 95,918 | 279,388 | 1,005,729 | --- | 4,560,291 | 5,941,326 |
| Transfer from US\$ account | | | | 2,000,000 | (2,000,000) | |
| Total Cash as at 30 June 2010 | 95,918 | 279,357 | 984,077 | 2,123,887 | 2,470,261 | 5,953,500 |

COMMONWEALTH OF THE BAHAMAS

IN THE SUPREME COURT

Commercial Division

**IN THE MATTER OF MOSAIC COMPOSITE
LIMITED now MOSAIC COMPOSITE
LIMITED (U.S.), INC. (A Minnesota Corporation)
(In Liquidation) ("Mosaic")**

AND

**IN THE MATTER OF THE INTERNATIONAL
BUSINESS COMPANIES ACT , Chapter 309,**

**Statute Laws of the Bahamas, 2000 Edition ("the
Act")**

**AFFIDAVIT OF GEORGE CLIFFORD CULMER
AND RAYMOND MASSI
(ELEVENTH REPORT OF THE LIQUIDATORS)**

2006/COM/bnk/00015


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Attorneys for the Joint Official Liquidators

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