

COMMONWEALTH OF THE BAHAMAS

2006/COM/bnk/00015

IN THE SUPREME COURT

Commercial Division



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 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 23<sup>rd</sup> day of January, 2007.
2. By an Order of this Honorable Court made on the 23<sup>rd</sup> 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 30<sup>th</sup> day of June 2012 and is exhibited hereto. We verily believe the contents of this, the Nineteenth Report to be true.
4. The said Report summarizes the progress made since the date of our last report on the 31<sup>st</sup> day of March 2012.

SWORN to at the City of Nassau )

In the Island of New Providence )

This 11 day of June, 2013 )

  
George Clifford Culmer


BEFORE ME,

  
NOTARY PUBLIC

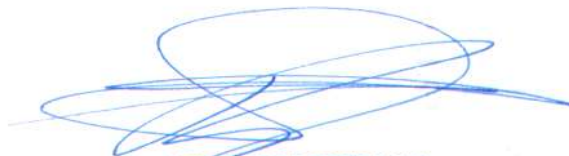
SWORN to at the City of Nassau )

In the Island of New Providence )

This 12 day of June, 2013 )

  
Raymond Massi

BEFORE ME,

  
NOTARY PUBLIC

MOSAIC COMPOSITE LIMITED (U.S.), INC. (IN LIQUIDATION)  
NINETEENTH 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**

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**BY HAND**

Supreme Court of The Commonwealth of the Bahamas

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

**1. INTRODUCTION AND BACKGROUND**

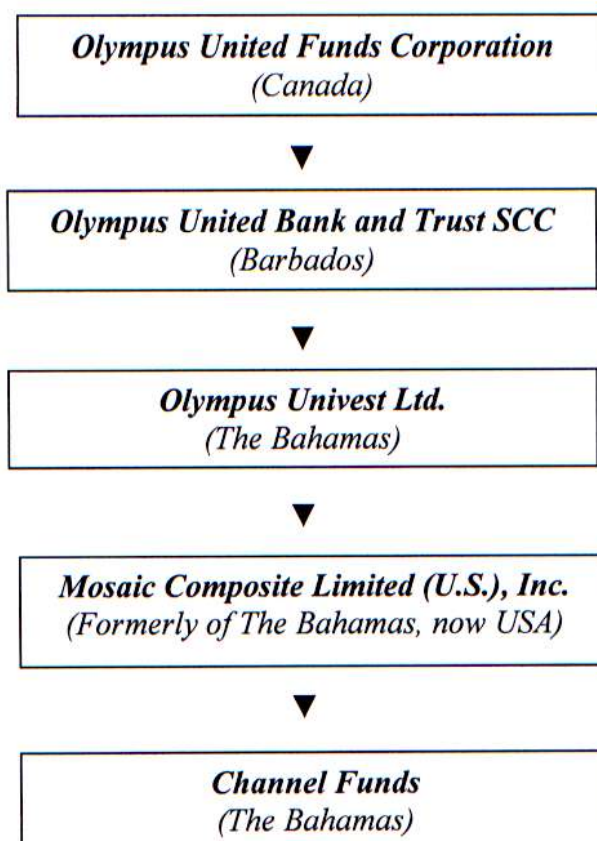
- 1.1. This report constitutes the Nineteenth Report to the Supreme Court of the Commonwealth of The Bahamas (the "Bahamian Court") of G. Clifford Culmer ("Culmer") of BDO Chartered Accountants and Advisors, Nassau, The Bahamas, and Raymond Massi ("Massi") of RSM Richter Inc., Montreal, Canada, in their 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 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 Nineteenth 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 dated 29 June, 14 July, 9 September and 14 October 2005, of the following entities:
  - 2.2.1. Norshield Asset Management (Canada) Ltd.(NAM);
  - 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 shareholder, Bice International Inc. 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 Univest 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 were 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 Reasons and Decisions and Orders made by the panel of the Commission, in the Hearing, were issued on 10 August 2010 and were as follows:
- 3.4.1. An Order that the registration of each of NAM, Olympus United Group and Xanthoudakis be terminated;
  - 3.4.2. An Order that each of NAM, Olympus United Group, Xanthoudakis and Smith be permanently prohibited from being registered under the Act;
  - 3.4.3. An Order that each of NAM, Olympus United Group, Xanthoudakis and Smith be permanently prohibited from trading in securities, except that Xanthoudakis and Smith may trade in securities for the account of their registered retirement savings plans and/or registered retirement income funds (as defined in the Income Tax Act (Canada)) in which they and/or their spouses have sole legal and beneficial ownership, provided that, as the order applies to each of them as individuals, (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer; (ii) he does not own legally or beneficially (in the aggregate, together with his spouse) more than One (1) % of the outstanding securities of the class or series of the class in question; and (iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;
  - 3.4.4. An Order that exemptions contained in Ontario Securities Laws do not apply to each of NAM, Olympus United Group, Xanthoudakis and Smith permanently;
  - 3.4.5. An Order reprimanding each of Xanthoudakis and Smith;



- 3.4.6. An Order that each of Xanthoudakis and Smith resign all positions held as a Director or Officer of an issuer;
- 3.4.7. An Order that each of Xanthoudakis and Smith be prohibited permanently from becoming or acting as a Director or Officer of any issuer;
- 3.4.8. An Order that Kefalas be prohibited from becoming registered under the Act for Two (2) years;
- 3.4.9. An Order that a term and condition of close supervision be imposed on Kefalas' registration for a period of Two (2) years if he should seek to become registered after the prohibition period referred to above;
- 3.4.10. An Order that Kefalas be prohibited from becoming or acting as a Director or Officer of a registrant for a period of Two (2) years;
- 3.4.11. An Order that Xanthoudakis and Smith each pay the following administrative penalties: (a) 1,000,000.00 (One Million dollars) in respect of their breaches of section 2.1 of Rule 31-505; (b) 1,000,000.00 (One Million dollars) in respect of their breaches of section 19 of the Act and section 113 of Regulation 1015; and (c) 125,000.00 (One Hundred and Twenty-Five Thousand dollars) for misleading Staff, contrary to subsection 122(1)(a) of the Act; and
- 3.4.12. Xanthoudakis and Smith shall pay costs of the proceedings in the amount of \$295,000.00 (Two Hundred and Ninety-Five Thousand dollars) on a joint and several basis.
- 3.5. Xanthoudakis and Smith filed two appeals of the aforementioned decisions made by the Ontario Securities Commission.
- 3.6. On 31 October 2011, the Superior Court of Justice (Divisional Court) dismissed the two appeals in respect of the decisions made by the OSC. On the first appeal, the Court upheld the OSC panel's decision to reject the Motion seeking a stay of proceedings, and found no reasonable apprehension of bias. On the second appeal, the Court found the decisions of the OSC panel were careful, comprehensive and complete and that there was no basis on which any finding could be made that the appellants were denied a fair hearing.

#### **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 reviewed the proofs of claim filed in the liquidation of Mosaic. A formalized admit/reject procedure has been developed by the Mosaic JOLs and their counsel. Notices to the claimants of the results of this process have been sent out during December 2010 which granted claimants an additional 30 days to the Mosaic JOLs either to provide further evidence of their investment or to object to the rejection notices. To date, no further evidence by any of the claimants has been provided nor have the JOLs received any notices of objections.

## **5. REALIZATIONS**

- 5.1 Mosaic's Asset Realizations are as follows:

<b>Asset</b>	<b>Realized (US \$)</b>
MS-II Class B Shares	7,286,562
Dividends received from Premier Commercial Real Estate	1,990,990
Interest Income	393,449
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>
	10,652,666

- 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](http://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**

### **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, US 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 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.
- 6.8. On 31 August 2010, a Pre-trial Scheduling Order was issued by the Honorable Jeanne J. Graham, providing a schedule which shall govern the proceedings. The schedule may be modified only upon formal motion and a showing of good cause. The parties are now going through the discovery process.
- 6.9. Throughout early 2011, the parties engaged in discovery, including written discovery requests, the exchange of documents and the deposition of Mr. Holden.
- 6.10. On February 13, 2011, Mr. Holden amended his Answer and Counterclaim to include allegations that the Mosaic JOLs had no authority to seize and liquidate the assets of Mosaic as well as malicious prosecution and intentional infliction of emotional distress.
- 6.11. On February 28, 2011, the Mosaic JOLs submitted their Reply to the Amended Counterclaim denying all allegations.



- 6.12. In March 2011, Mr. Holden sought to extend the discovery deadline so that he could compel the Mosaic JOLs to produce certain documents. The Mosaic JOLs opposed the Motion.
- 6.13. On May 19, 2011, Magistrate Judge Graham granted the Motion in part, extending the deadline and ordering the Mosaic JOLs to produce certain documents (but not everything requested by Mr. Holden).
- 6.14. The Mosaic JOLs thereafter produced certain documents related to the liquidation proceedings.
- 6.15. On July 27, 2011, Mr. Holden filed his Motion seeking sanctions for the alleged failure by the Mosaic JOLs to produce certain documents. The Mosaic JOLs opposed the Motion. Mr. Holden ultimately agreed not to pursue the Motion and it was denied as moot.
- 6.16. On July 29, 2011, the Mosaic JOLs filed a Motion for partial summary judgment dismissing Mr. Holden's counterclaims. Mr. Holden opposed the Motion.
- 6.17. On October 7, 2011, the Motion for partial summary judgment dismissing Mr. Holden's counterclaims was heard before Chief Judge Michael J. Davis.
- 6.18. On December 13, 2011, the Court (the Honorable Michael J. Davis) granted the Mosaic JOLs' Motion and dismissed Mr. Holden's counterclaims in their entirety and with prejudice.
- 6.19. On December 15, 2011, the Court scheduled the trial of the Mosaic JOLs' claims against Mr. Holden for March 2012.
- 6.20. On December 16, 2011, Magistrate Judge Graham scheduled a further settlement conference.
- 6.21. On February 8, 2012, the parties convened for a settlement conference and reached an agreement in principle subject to a definitive written settlement.
- 6.22. Over the next several months the parties negotiated the terms of the written settlement agreement.

#### **Brooks, Di Santo**

- 6.23. Mosaic held substantial investments in the Channel Funds and relied upon the audited financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 (the "Channel Fund Financial Statements") in making or maintaining investments therein.
- 6.24. Brooks, Di Santo, an unregistered firm of chartered accountants located in Montreal, Quebec, audited the Channel Funds Financial Statements and issued unqualified audit reports thereon.



- 6.25. 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 dollars.
- 6.26. 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:
- 6.26.1. a substantial portion of the assets carried on the Channel Funds Financial Statements does not appear to be owned by the Channel Funds and therefore should not have been included in the financial statements;
- 6.26.2. 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.
- 6.27. 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.
- 6.28. 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.
- 6.29. 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 \$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.
- 6.30. On 29 September 2010, RSM Richter Inc. presented a Motion before Justice Campbell for an Order approving their proposed Litigation Plan and the conduct of the action against the Defendants. The parties reached an agreement during the 29 September 2010 hearing and have since started the discovery process.
- 6.31. RSM Richter Inc. prepared a confidential information memorandum for the lawyers of Brooks, Di Santo's insurers.
- 6.32. Meetings took place with the respective lawyers of both parties to review the confidential information memorandum and the various facts pertaining to the proceedings against Brooks, Di Santo.



## **7. CRIMINAL PROCEEDINGS**

- 7.1. In November 2005, the Quebec Bureau de décision et de révision en valeurs mobilières (“BDRVM”), at the request of the Autorité des marchés financiers (“AMF”), issued various orders to freeze and to cease activities against numerous individuals and companies related to Mount Real Corporation (“Mount Real”).
- 7.2. In September 2008, the AMF launched penal proceedings in the Court of Quebec (Criminal and Penal Division), district of Montreal, against Lino Matteo (“Matteo”) as a shareholder, director and/or officer of a number of companies including Mount Real. It is alleged that these companies illegally issued promissory notes and/or made representations to the financial market regulatory authority. The AMF has filed 308 charges against Matteo who allegedly orchestrated the illegal activities in the matter of Mount Real.
- 7.3. In March 2011, the Sûreté du Québec also filed criminal charges against Matteo with respect to Cinar Corporation (“Cinar”), a Canadian public company, alleging that Matteo assisted John Xanthoudakis in camouflaging the approximately \$120 million of funds invested by Cinar in Globe X Management Limited and Globe X Canadiana Limited (“Globe X”) between 1998 and 2000. The Quebec police allege that Matteo helped disguise the whereabouts of the funds.
- 7.4. Mount Real Innovation Centre Ltd. provided valuation reports in respect of the valuations of the Channel Funds’ assets. As noted in the previous section, the Mosaic JOLs’ investigations have led them to conclude that the values ascribed to the assets were significantly overstated and incorrectly recorded by the Channel Funds in their audited statements. This inaccurate and misleading financial information was relied on by investors throughout the Norshield Investment Structure and was a necessary tool to facilitate the solicitation of additional and increasing amounts of Retail Investors’ funds by Olympus United Funds Corporation.
- 7.5. In March 2011, the Sûreté du Québec filed criminal charges against John Xanthoudakis with respect of the approximately \$120 million of funds that were invested by Cinar in Globe X between 1998 to 2000. The Quebec police allege that Xanthoudakis facilitated the movement and investment of these funds in The Bahamas. The indictment includes allegations of fraud, forgery and making or circulating a false prospectus.

## **8. RECEIPTS AND PAYMENTS**

- 8.1. A Statement of Receipts and Payments for the period 01 April 2012 to 30 June 2012 is attached hereto as Exhibit 1.

## **9. CONCLUSION**

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



- 9.2. 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 during the years ended 30 September 2002 and 2003.
- 9.3. 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 11 day of June..... 2013.

G. Clifford Culmer

G. Clifford Culmer

Raymond Massi

Raymond Massi

**EXHIBIT 1****MOSAIC COMPOSITE LIMITED (U.S.), INC. (IN LIQUIDATION)****STATEMENT OF THE JOINT OFFICIAL LIQUIDATORS' RECEIPTS AND PAYMENTS****FOR THE PERIOD 01 APRIL 2012 TO 30 JUNE 2012**

RECEIPTS	Accounts in The Bahamas			Accounts in Canada		Total
	B\$	CDN\$	US\$	CDN\$	US\$	
Interest Income	1,117	-	-	5,387	615	7,119
TOTAL RECEIPTS	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>5,387</u>	<u>615</u>	<u>7,119</u>
	-	-	-	-	-	-
<b>DISBURSEMENTS</b>						
Liquidator fees	66,814			98,566		165,380
Legal fees	23,931			37,285	34,682	95,898
Bank and miscellaneous charges	12	11	-			22
TOTAL DISBURSEMENTS	<u>90,756</u>	<u>11</u>	<u>-</u>	<u>135,851</u>	<u>34,682</u>	<u>261,300</u>
	-	-	-	-	-	-
<b>(DECREASE) / INCREASE IN CASH</b>	<b>(89,639)</b>	<b>(11)</b>	<b>-</b>	<b>(130,465)</b>	<b>(34,067)</b>	<b>(254,181)</b>
<b>Cash Balance as at 31 March 2012</b>	<b>948,652</b>	<b>97,627</b>	<b>95,898</b>	<b>2,138,256</b>	<b>2,166,618</b>	<b>5,447,050</b>
<b>Total Cash as at 30 June 2012</b>	<b><u>859,013</u></b>	<b><u>97,616</u></b>	<b><u>95,898</u></b>	<b><u>2,007,791</u></b>	<b><u>2,132,551</u></b>	<b><u>5,192,869</u></b>



**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")**

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**AFFIDAVIT OF GEORGE CLIFFORD CULMER  
AND RAYMOND MASSI**

**(NINETEENTH REPORT OF THE LIQUIDATORS)**

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2006/COM/bnk/00015

  
GLINTON SWEETING O'BRIEN

303 Shirley Street

PO Box N-492

Nassau, N.P., Bahamas

Attention: Roy Sweeting

Attorneys for the Joint Official Liquidators