



INSOLVENCY CONSULTANTS & TRUSTEE IN BANKRUPTCY

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Court No. B121434
Vancouver Registry

**IN THE MATTER OF THE BANKRUPTCY OF
SAMJI & ASSOC. HOLDINGS INC.**

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

SAMJI & ASSOC. HOLDINGS INC. (“Samji & Assoc.” or the “Company”) made an Assignment in Bankruptcy on December 5th, 2012 and Boale, Wood and Company Ltd. was appointed as Trustee of the Estate. This report has been prepared by Boale, Wood & Company Ltd., in its capacity as Trustee of the Company to provide preliminary information available as at January 3rd, 2013 to the creditors.

BACKGROUND

Investment Scheme

Ms. Rashida Samji is the sole Director, Officer and Shareholder of Samji & Assoc., a company that was incorporated in 2010 and used by Ms. Samji for an investment scheme that she was involved in. The investment scheme was commenced in 2003, prior to which Ms. Samji practiced as a notary public through her own company, Rashida Samji, Notary Corporation (“Samji Notary Corporation”). Prior to 2010 Ms. Samji used Samji Notary Corporation for her investment scheme.

According to the Receiver’s Second Report Ms. Samji solicited funds from investors (the “Investors”) and represented to the Investors that the funds would be held in her notary trust account and used, without direct access, as collateral for loans in foreign countries where the Mark Anthony Group conducted their wine business (the “Investment Scheme”). Investors were required to deposit funds for terms of at least six months and were informed that the funds would earn interest-like annual returns of 12%. We understand that the Investment Scheme was referred to as the Mark Anthony Investment but was not in any way related to the Mark Anthony Group.

Between 2003 and 2012, Ms. Samji received in excess of \$90,000,000 from the Investors.

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We understand that the funds received from Investors were initially deposited to bank accounts in the name of Samji Notary Corporation. Funds were then disbursed out to various places including to Samji & Assoc., Ms. Samji and to the Investors. There is no indication in any of the documents reviewed by the Trustee that Investor funds were used for the purposes of the Mark Anthony Investment.

A number of law suits have been filed against Ms. Samji and others and several of these law suits claim that the Investment Scheme was a ponzi scheme which is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors.

A large number of Investors were clients of Mr. Arvindbhai Patel, a financial planner who worked for Coast Capital Credit Union ("Coast Capital") between 2006 and 2012.

British Columbia Securities Commission Orders

In January 2012 the British Columbia Securities Commission ("BCSC") became concerned about the Investment Scheme. Their concerns resulted in the BCSC issuing investigation orders for purposes of investigating the affairs of Ms. Samji, Samji & Assoc., Samji Notary Corporation and Mr. Patel in relation to breaches of the *Securities Act*, including illegal trading and distribution of securities, misrepresentation and fraud.

Immediately upon issuing the investigation orders the BCSC took steps to take possession of the books and records in relation to the Investment Scheme that were kept at the office of Samji Notary Corporation.

The BCSC also froze various bank accounts in the name of Ms. Samji, Samji & Assoc., Samji Notary Corporation and Mr. Patel and registered liens against eight properties that Ms. Samji either owned or had an interest in.

Society of Notaries Public of British Columbia Custodianship Order

The Society of Notaries Public of British Columbia ("Notaries Society") being concerned about the notary clients of Samji Notary Corporation, applied to the Supreme of British Columbia (the "Court") for an order appointing Mr. Ronald Usher, an employee of the Notaries Society, as custodian over the property of Samji Notary Corporation to manage the notarial practice of Ms. Samji. On February 8, 2012 the Court granted an order appointing Mr. Usher as Custodian (the "Custodian Order").

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Receivership Order

Pursuant to an application made by the BCSC, the Court issued an Order on April 3, 2012 appointing MNP Ltd. as Receiver over certain property of Samji & Assoc. and Mr. Patel (the "Receivership Order").

The specific property of Samji & Assoc. that MNP Ltd. has been appointed as Receiver over is the funds held in the Toronto Dominion Bank Account # 9697-52089-110 ("TD Account") and Vancouver City Savings Credit Union Account # 225540 ("Vancity Account") which accounts were in the name of Samji & Assoc.

These two bank accounts were included in the freeze order issued by the BCSC but as a result of the Receiver appointment the freeze on these two accounts was lifted by the BCSC. According to the Receiver's 2nd Report to the Court dated September 22, 2012 the funds in the TD account at the date of the Receivership Order were approximately \$784,000 and the funds in the Vancity account were approximately \$28,468.

Although the Receivership Order was initially made for purposes of preservation of the property of Samji & Assoc., the Receiver commenced an investigation into the Investment Scheme. The results of the Receiver's investigation to date are summarized in the Receiver's Second Report to the Court dated September 22, 2012. The Receiver's investigation includes a review of documents of Samji & Assoc, Samji Notary Corporation and Ms. Samji. These documents include certain banking records that were requested from the banks by the Receiver and information relating to properties owned by Ms. Samji.

On November 19, 2012 the Receiver applied to the Court for an order to expand the property covered by the Receivership Order to include the property of Samji Notary Corporation and Ms. Samji so that the Receiver's ongoing investigation of the Investment Scheme could be completed, and any recovered funds as a result of this investigation, distributed to the Investors subject to the further direction of the Court. The Receiver's application also provided for a stay of the bankruptcy proceedings on the basis that Trustee's duties would be duplicative and unnecessary.

At the Court hearing on December 6, 2012 to consider the Receiver's application, all respondents present opposed the application on the basis that a forensic review was already being conducted by certain of the respondents who had agreed to fund the exercise. Certain respondents also noted that the Trustee has the necessary powers and authority under the *Bankruptcy & Insolvency Act* (the "BIA") to pursue recovery of funds and distribution of the

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recovered funds to the Investors and creditors.

The Court rendered its decision regarding the application made by the Receiver to expand its powers and stay the bankruptcy proceedings on December 19, 2012. The application was dismissed.

RCMP Investigation

The RCMP has also commenced an investigation into the Investment Scheme and in this regard has seized all the original books and records relating to the Investment Scheme including the books and records seized by the BCSC.

We understand that the records seized by the RCMP and BCSC have been copied and stored on compact discs and distributed to Ms. Samji, Ronald Usher and MNP Ltd.

Investor Lawsuits

Since the Investment Scheme has been uncovered, several lawsuits have been filed by the Investors. These lawsuits include individual Investors, a group of Investors that invested through Mr. Platel and a class action lawsuit that has been commenced on behalf of all the Investors that are not otherwise represented. These legal proceedings are against Ms. Samji, Samji & Assoc. and Samji Notary Corporation as well as other parties that allegedly were indirectly involved such as banks, the Notaries Society and accountants.

CONSERVATORY MEASURES

Upon being appointed the Trustee immediately wrote to MNP Ltd. to advise of the bankruptcy and to request that the Receiver's activities be minimized pending the decision of the Court with respect to the Receiver's application to expand its mandate. The Trustee also requested that the Receiver provide the names and addresses of the Investors and a Statement of Receipts & Disbursements with respect to funds received/disbursed as Receiver.

The Receiver has advised the Trustee that the BCSC do not want the Receiver to disclose their work product and therefore are not able to provide the requested list of Investor names and addresses.

The Trustee attended the Court hearing on December 6th, 2012 to be available to answer any questions that might arise in relation to the bankruptcy.

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Following the Court decision of December 19, 2012 the Trustee wrote to MNP Ltd. requesting that all property of Samji & Assoc. be released to the Trustee, including the funds received from the two bank accounts in the name of Samji a& Assoc. and any books and records.

At the date of this report, the Trustee has not received any of the property requested from the Receiver. The Trustee understands that the Receiver may seek direction from the Court before releasing this property to the Trustee.

The Trustee has tried to contact the RCMP to advise of the bankruptcy but at the date of this report has not yet heard back from the RCMP.

ASSETS

Cash

As mentioned early in this report, the Receiver took possession of the funds held in the TD Account and the Vancity Account totaling approximately \$800,000. The Trustee estimates that approximately \$500,000 of the funds are still being held by the Receiver after payment of professional fees incurred as Receiver, but to date has not received verification of the funds being held by the Receiver.

Recovery from Profiteers

The Trustee has received certain information from Ms. Samji with respect to the Investment Scheme that identifies certain Investors that have received back more funds than were initially invested (the "Profiteers"). The Trustee has not verified the accuracy of this information which will occur through the forensic review that is currently underway.

Upon verification of returns received by the Profiteers, the Trustee will be pursuing recovery of returns by the Profiteers.



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PROVABLE CLAIMS

The Trustee has performed a preliminary review of the claims filed to date which are summarized below:

	As Per Statement of Affairs	Claims Filed to date
Secured Creditors	\$1	\$0
Unsecured Creditors	\$31,307,259	\$56,868,127
Totals	\$31,307,260	\$56,868,127

The claims filed to date include a claim in respect of the Class Action in the amount of \$31,300,000. This claim includes an estimate of the claim of all Investors include those Investors that have filed separately. This explains the significant difference in value between the claims filed to date and the amount as per the Statement of Affairs.

There also appear to be some discrepancies between the amounts listed on the statement of affairs and the claims filed by individual Investors to the date of this report. At the date of this report, the Trustee has not completed its review of the claims to determine the reasons for the discrepancies.

SECURED CREDITORS

Pursuant to the Receivership Order, MNP Ltd. has a secured charge against the property of Samji and Assoc. for professional fees and expenses incurred as Receiver.

UNSECURED CREDITORS

The amount owed to unsecured creditors of the Company as shown on the Statement of Affairs can be summarized as follows:

- Amounts owed to Investors as per the company's records for Investors that have commenced litigation \$8,601,950



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• Amounts owed to Investors as per the company's records for Investors that have not commenced litigation	\$22,697,285
• Amounts owed to Vancity for a corporate visa card account	<u>\$8,025</u>
	<u>\$31,307,260</u>

Certain Investors are claiming that the property of Samji & Assoc. is property that belongs to the Investors and is being held in trust by Samji & Assoc. for the Investors. The Trustee is currently not in a position to comment on the validity of these trust claims. For purposes of the First Meeting of Creditors, the Trustee will allow these creditors' claims as unsecured creditors, therefore allowing the creditors to vote at the first meeting.

TRUSTEE'S FEE ARRANGEMENT

The Trustee has not received a retainer for its fees or third party guarantee.

SETTLEMENTS, PREFERENCES AND TRANSFERS UNDER VALUE

At the date of this report the Trustee has not taken possession of the books and records of the Company which are currently in the possession of the RCMP nor has the Trustee received electronic copies of the books and records that have been prepared by the RCMP and BCSC.

As mentioned earlier in this report, certain Respondents in the proceedings have commenced a forensic investigation to trace the funds invested in the Investment Scheme and funds disbursed out.

The Trustee intends to work in cooperation with the Respondents and the independently appointed forensic auditors that will likely be retained to complete this investigation.

The results of this investigation are expected to identify numerous parties that have benefitted from the Investment Scheme that the Trustee will then pursue recovery from for the collective benefit of the Investors and Creditors.

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FIRST MEETING OF CREDITORS

The First Meeting of Creditors will be held on January 4, 2013 at 2:00 PM. The purpose of this meeting is as follows:

- Consider the affairs of the bankrupt which will include a review of the Trustee's Preliminary Report and answering any questions asked by meeting attendees;
- Affirm the appointment of Boale, Wood & Company Ltd. as Trustee or substitute another in place thereof; and
- Appoint up to 5 Inspectors that will represent the creditors at large and will give directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

The Trustee has been in contact with various lawyers that represent a significant number of the Investors and anticipates that these lawyers may want to be Inspectors of the Estate.

Following the First Meeting of Creditors the Trustee will promptly organize a meeting of Inspectors to discuss in detail how best to proceed with the administration of the estate. This is a large and complex administration that will require cooperation of various parties involved to expedite and maximize the recovery to the Investors.

ESTIMATED REALIZATION

The Trustee at this preliminary time is not in a position to provide any meaningful estimate of the realization.

DATED at the City of Vancouver, British Columbia this 3rd day of January, 2013.

Boale, Wood & Company Ltd.

Trustee of the Estate of
Samji & Assoc. Holdings Inc.


Per: John McEown, CA•CIRP