

2007

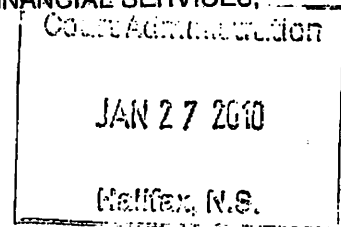
S.H. No. 276050

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF: The Securities Act, R.S.N.S. 1989, c. 418, s. 29D

- and -

IN THE MATTER OF: An Application by the NOVA SCOTIA SECURITIES COMMISSION to appoint
PricewaterhouseCoopers Inc. as Receiver of JABEZ FINANCIAL SERVICES,
INC.



SECOND REPORT OF THE RECEIVER
(Dated January 26, 2010)

1. Introduction

- 1.1. This is the Second Report of the Receiver of Jabez Financial Services Inc. ("JFSI" or "the Company") and should be read in conjunction with the First Report dated May 31, 2007. As described in the First Report, the Receiver's initial objectives were to seek out, obtain, and preserve the primary books and records of the Company; to determine the existence of, and to seek to recover any bank accounts, investment accounts, or any other assets of the company, tangible or otherwise; and to determine the liabilities owed by the company.
- 1.2. Since the filing of the first report, the Receiver has been active in the recovery of the residual funds in the JFSI US dollar ¹account located at First Curaçao International Bank ("FCIB") in Curaçao, Netherlands Antilles; tracing the movement of funds from the FCIB account to various international recipients; obtaining account records and cardholder information concerning JFSI funds used to fund a debit card program; taking action in Nova Scotia against individuals who have received JFSI funds but who are not listed as JFSI investors; and recovering physical assets located in Nova Scotia which were purchased with JFSI funds. Each of these subject areas will be discussed further below.

2. Recovery Efforts

2.1. Receiver's Attempt to Communicate With JFSI

- 2.1.1. The Receiver has become aware of communications from what appears to be JFSI management to investors since the Receiver's appointment. In those communications, JFSI refers to a possible returns to investors by JFSI. The Receiver's Panamanian counsel has advised that JFSI was dissolved in Panama effective October 16, 2007 and from that date entered voluntary liquidation which process lasts for a period of three years.
- 2.1.2. The Receiver wrote to Jabez at its Panamanian address in January 2008 referencing the dissolution of JFSI and recent communications to JFSI investors, reiterating the Receiver's

¹ Whereas the majority of the transactions referred to hereunder were conducted in US dollars, all references to dollar figures shall be in US dollars unless otherwise noted.

mandate to gather in all JFSI property and assets, wherever situated. The Receiver requested JFSI to advise as to any such property or assets and to arrange for the immediate delivery or transfer of same to the Receiver. The only response the Receiver has had to that correspondence is a fax from Overseas Clearing Corporation in Panama claiming that it had acted as "formation agent" and "resident agent" for JFSI, that it "decided to dissolve the company" for "unpaid resident agent fees", and claiming to have "no information indicating that the company ever commenced any operations in Panama or that the company would have any assets or bank accounts [in Panama]".

2.2. FCIB Curaçao

2.2.1. As indicated in the First Report of the Receiver to this Honourable Court, immediately following the Receiver's appointment in March 2007 it began the process of recovering JFSI funds and documentation which had been identified as held at First Curaçao International Bank in the Netherlands Antilles. Effective October 9, 2006, FCIB's banking license was revoked by the local authorities and it was placed under the administrative control of the Central Bank of the Netherlands Antilles ("Central Bank") for purposes of liquidation. These actions stemmed from investigations by European authorities into the operations of FCIB and some of its accountholders given indications they were involved in a VAT fraud and money laundering.

2.2.2. In April 2007, the Receiver received some documentary information in electronic format from Central Bank pertaining to JFSI's sole account with FCIB. In late June 2007, Central Bank finally confirmed in writing to the Receiver that the balance in the JFSI account with FCIB was \$2,044,257.95; however, Central Bank also confirmed that it would not voluntarily release the funds to the Receiver and would only turn over the funds to the Receiver if it obtained an appropriate court order from the Netherlands Antilles' jurisdiction and provided additional documentation to satisfy Central Bank's strict payment procedures.

2.2.3. Central Bank had classified JFSI in the "high-risk" accountholder category thereby requiring it to provide an "Auditor's Report" from a chartered accountant as part of its payment

procedures. The "Auditor's Report" was to render conclusions on a variety of matters regarding the corporate accountholder such as JFSI's corporate status, licensing, ownership and perhaps most importantly, whether there was any evidence the account or funds therein had a connection to unlawful sources or criminal activity including tax fraud or tax crimes.

2.2.4. The Receiver's counsel in Curaçao recommended that the Receiver proceed with a court application in Curaçao for recognition of this Honourable Court's Order appointing the Receiver and acknowledgement of the Receiver's entitlement to funds in the JFSI account at FCIB as well as associated relief. The Receiver accordingly filed a petition before the Court of First Instance in the Netherlands Antilles on July 23, 2007 and gave notice to the Central Bank, FCIB and JFSI (the latter of which was served in Panama through the assistance of the Receiver's Panamanian legal counsel). JFSI did not appear nor did it participate in this Curaçao proceeding; however, though it was initially expected that the Central Bank and FCIB would take a neutral role in this proceeding, instead they raised substantive challenges to the Receiver's petition, ultimately resulting in a hearing before the Court of First Instance in Curaçao in March 2008. Central Bank and FCIB raised objections to the Receiver's plea for recognition and entitlement to claim the funds in the JFSI account, and in addition sought to have the Receiver adhere to the strict payment procedures which included presentation of an "Auditor's Report" regarding JFSI and a limitation on any initial payment of funds to 75% of the account's value given FCIB's liquidity issues.

2.2.5. In addition to its other submissions to the Court of First Instance, the Receiver maintained its position that the Auditor's Report required from accountholders under the Central Bank's payment procedures was not appropriate where the lawful claimant to the funds is not the actual accountholder but rather the Receiver of the accountholder's property and assets, and in view of the other circumstances surrounding JFSI including suspected offences under Canadian law.

2.2.6. The Court of First Instance rendered a decision in April 2008 in favour of the Receiver.

Amongst other things, that decision granted the Receiver entitlement to claim the funds in the JFSI account and ordered the respondents comply with payment of 100% of the funds to the Receiver failing which monetary penalties would apply. The Receiver was also awarded costs. Central Bank and FCIB signified their intention to appeal from that decision to the local appellate court (The Common Court of Justice in the Netherlands Antilles and Aruba) primarily as they wished to overturn findings made by the Court of First Instance including that the Receiver was not required to adhere to the Central Bank's specific payment procedures and should receive payment of the entire JFSI account balance. However, in the interim Central Bank and FCIB reached an agreement with the Receiver whereby 75% of the JFSI account value would be paid to the Receiver immediately (which payment would not be subject to their appeal) and furthermore that FCIB would immediately turn over copies of documents pertaining to the account to the Receiver's counsel in Curaçao.

2.2.7. FCIB remitted the sum of \$1,532,740.96 to the Receiver on June 24, 2008 and turned over additional records pertaining to JFSI's account to the Receiver on June 20, 2008, July 14, 2008, and July 24, 2008. FCIB and Central Bank subsequently paid the costs referenced above in the amount of \$11,934.32.

2.2.8. Central Bank and FCIB appealed the decision of the Court of First Instance by way of a Notice of Appeal filed June 17, 2008. The Receiver filed pleadings in response and following an exchange of written submissions by the parties, the Common Court of Justice rendered its decision in April 2009. JFSI neither appeared nor participated in the appeal proceedings.

2.2.9. The Common Court of Justice overturned the decision of the lower court, in essence finding that the Receiver must adhere to the Central Bank's payment procedures and scheme of distribution in view of FCIB's liquidity issues. However, the Common Court of Justice noted that the unique nature of the Receiver's position in relation to JFSI justified

some modification to the "Auditor's Report" form particularly given that the Receiver's mandate involves recovery of assets to compensate losses caused by JFSI as much as possible. The Receiver was also ordered to pay the costs of Central Bank and FCIB in the amount of US\$30,275.23 representing costs in the Court of First Instance as well as on appeal.

2.2.10. The Receiver examined its options with respect to a further appeal of this matter to the Supreme Court in The Hague. Through counsel, it attempted to negotiate a resolution with the Central Bank on certain issues in order to avoid any further appeal but unfortunately no agreement could be reached. However, after receiving advice from Dutch counsel and considering the cost/benefit of an appeal in view of the fact that 75% of the JFSI funds had been turned over already, the Receiver decided against filing any further appeal. Instead, the Receiver opted to submit a modified form of report to the Central Bank under its payment procedures in support of the Receiver's claim on the remaining 25% balance in the JFSI account.

2.2.11. On October 29, 2009, the Central Bank accepted the Receiver's report and approved its claim for the balance payable from the JFSI account. In light of the current liquidity issues involving FCIB it remains uncertain when and how much of the 25% balance will be available for distribution.

2.2.12. Account Activity

2.2.13. As described in the First Report of the Receiver, approximately \$4,295,688.03 was credited to the FCIB account which correlates closely to the \$4,067,763.93 that the Receiver has identified as being credited to the FCIB account from individuals listed on the investor list. The investor list was obtained from the NS Securities Commission (the "NSSC List") and is believed to have originated from Quintin Sponagle, JFSI's general manager.

2.2.14. The variance of \$227,924.10 can be reconciled as follows:

- a) \$136,775.66 - credits to the account from individuals who were, for reasons unknown, left off of the NSSC List.

- b) \$71,000.00 - reversal of an outgoing wire to the NYCCU debit card program.
- c) \$10,498.14 - miscellaneous reversals of ATM debit transactions and wire transfers.
- d) \$4,426.35 - credit received from a suspected agent of JFSI who solicited investors in Nova Scotia. These funds are believed to have been deposited on behalf of an unidentified investor.
- e) \$4,908.00 - reversal of a payment of an unknown nature to New Covenant Ministries.
- f) \$315.95 – miscellaneous items.

2.3. JFSI Debit Card Program

2.3.1. As part of its service offering to its clients, in 2006, JFSI had initiated a debit card program in connection with North York Community Credit Union and a company called CU Connection. The program would allow JFSI investors to access to their purported "earnings" as their accounts purportedly grew at up to a stated 20% per month. The Receiver has learned from documents ultimately recovered from CU Connection and FCIB, that the debit card program was only ever funded by investor's contributions and not from the proceeds of any investment income.

2.3.2. Beginning in May of 2006, approximately one month after the FCIB account became active, JFSI began a series of transfers from the FCIB account to the debit card settlement account which totalled \$504,492.84.

2.3.3. An additional \$160,000.00 was loaded to debit cards with funds originating from Canadian investors wires to FCIB which were then aggregated and flowed through an entity called Winsome Investment Trust in Texas making the total amount that was placed into the debit card program \$664,492.84.

2.3.4. After learning about the existence of the debit card program and tracing the wires from FCIB to the settlement account in Canada, in April and May of 2007, the Receiver engaged in correspondence with Card One Plus, the debit program operator, seeking information about the settlement account and the debit cards which drew upon it. The Receiver also sought to recover any residual balance remaining in the JFSI debit card settlement account.

2.3.5. The documents received from Card One Plus indicated that approximately 137 debit cards were issued and had been loaded with funds of varying values but that ultimately, all but approximately \$24,373.60 of the \$664,492.84 had been loaded and drawn down by cardholders. In December 2007, the balance of \$24,373.60 was ultimately paid over to the Receiver.

2.3.6. A comparison of the 137 debit card accounts showed that of these, approximately 71 were not listed as investors. The draw-downs made by these 71 cardholders accounted for over \$456,397.76, or over 68% of the value of investor funds that had been applied to the debit card settlement account. These payments, many of which were later learned to be made to investors in one or more predecessor investment programs run by Quintin Sponagle, are by definition "Ponzi payments"².

2.4. Asset Recovery in Nova Scotia

2.4.1. Upon investigation of the debit activity from the FCIB account, the Receiver has determined that there were several recipients of JFSI funds by parties who were not investors and who had no apparent legitimate entitlement to those funds. The status of recovery efforts relating to these transactions follows.

2.4.2. Garth and Norma Sponagle

2.4.3. The Receiver's analysis of the FCIB account showed that on June 15, 2006 a wire transfer in the amount of \$41,837.20 (CA\$46,000.00 less a CA\$10.00 service charge) was sent to the law firm Waterbury Newton, in Berwick, NS. Following the Receiver's further investigations, it became apparent these funds were used by Garth and Norma Sponagle for the purchase of real property in Garland, Kings County ("Garland property").

2.4.4. Garth and Norma Sponagle reside at the Garland property and are the parents of Quintin Sponagle, the general manager of JFSI. They do not appear on the JFSI investor List.

² See First Report of Receiver, May 31, 2007, at paras. 49-51 in which the Receiver concludes that JFSI was set up to operate as a fraud known as a Ponzi scheme.

2.4.5. In September, 2007, the Receiver commenced action to recover these funds on the basis that the Sponagles had no lawful entitlement to receive them and that the funds were misappropriated and/or converted for their personal enrichment. That action was subsequently amended to include an additional sum received by Garth Sponagle from the FCIB account in the amount of \$4,913.00.

2.4.6. The Sponagles defended the Receiver's action, and further to discovery examinations in the litigation, the Sponagles failed to fulfill certain undertakings. They deliberately ignored a subsequent Order from the Court requiring fulfillment of those undertakings by a certain date and, on April 17, 2008, the Court struck the Sponagles' defence and awarded the Receiver costs (see Judgment of Goodfellow, J. dated April 17, 2008 in S.H. No. 285971).

2.4.7. The Receiver entered judgment against Sponagles as follows: CA\$52,310.68 against Garth Sponagle and CA\$47,322.67 against Norma Sponagle.

2.4.8. The Receiver subsequently obtained an Order requiring Mrs. Sponagle's attendance at a discovery in aid of execution of the judgment. She failed to attend at that discovery examination and the Court, on the motion of the Receiver, granted leave to the Receiver to apply for an order for contempt. That contempt proceeding is still outstanding.

2.4.9. In a separate proceeding, Garth and Norma Sponagle have also been adjudged liable to the JSFI estate in the amount of CA\$78,314.15 as sureties ("Surety Judgment") under a Bond to Retain Property Under an Interlocutory Recovery Order ("Bond") in relation to the return of certain property seized from Shelley Sponagle (Quintin Sponagle's wife), which is described in greater detail below.

2.4.10. To date, Garth and Norma Sponagle have not repaid any funds to the JSFI estate voluntarily. The Receiver continues to pursue execution on its judgments against them and, in connection with the Surety Judgment, the Receiver has realized CA\$18,565.00 from the sale of vehicles and other property ultimately recovered, as noted below.

2.5. Recovery Orders and Related Proceedings

2.5.1. The Receiver has traced wire transfers and direct debits from the JFSI account at FCIB totalling \$94,311.56 made between June 5, 2006 and August 17, 2006, which amounts were paid to various individuals and automobile dealers in Nova Scotia in connection with the purchase of various motor vehicles, a marine vessel and accessories.

2.5.2. Shelley and Quintin Sponagle

2.5.3. Certain of these payments from the FCIB account totalling \$59,438.23 were found to have been made to purchase the following motor and marine vehicles and accessories:

- a) 2004 Chevrolet Silverado (registered in the name of Quintin Sponagle);
- b) Truck Cap accessory;
- c) 2005 Nissan Altima (registered in the name of Shelley Sponagle);
- d) Bombardier pleasure boat (acquired by Quintin Sponagle);
- e) Boat trailer (acquired by Quintin Sponagle).

2.5.4. The Receiver demanded return of these items from Shelley Sponagle and Quintin Sponagle in May 2007. They responded through their counsel, Eric Sturk, of Waterbury Newton, essentially claiming that they had acquired these items with funds they had invested in JFSI yet they failed to produce evidence supporting their claims.

2.5.5. The Receiver obtained a Recovery Order on November 8, 2007, and subsequently the local Sheriff's office recovered the Nissan, Chevrolet and truck cap accessory from Shelley and Quintin Sponagles' residence in Upper Vaughan, NS. The Bombardier boat and trailer were not located at the time.

2.5.6. Shelley Sponagle recovered the seized items upon filing an Affidavit claiming ownership of the property and Bond valued at CA\$77,174.00. As sureties for the Bond, Garth and Norma Sponagle pledged six (6) properties in various Nova Scotia locations, including the Garland property referred to above.

2.5.7. The Receiver applied to this Honourable Court for an order for possession and declaration that the subject property formed part of the assets and property of JFSI. Following a

contested hearing before Justice Coady in February 2008, the Court found in the Receiver's favour. The Court found that the Receiver had clearly established the subject property was purchased with funds from JFSI, and that neither Shelley Sponagle nor her sureties provided any evidence supporting their position that the funds used to purchase that property represented an investment in Jabez by Quintin or Shelley Sponagle. The Court was satisfied that they had no funds invested and that Jabez received no consideration in exchange for purchasing the subject property for them. (See the Decision of Coady, J. dated February 28, 2008.)

2.5.8. The Court issued an Order for Sheriff to Deliver Possession of Property and when the property could not be recovered from Mrs. Sponagle's address, the Receiver commenced action against Shelley Sponagle on the bond and as against her sureties, Garth and Norma Sponagle. This resulted in a judgment in favour of the Receiver in the amount of CA\$78,314.15. That judgment has been recorded against Shelley and Quintin Sponagle's property in Upper Vaughan, the Garland property owned by Garth and Norma Sponagle, as well as against the other lands pledged in support of the Bond.

2.5.9. Since that time, the Receiver has recovered and sold the Nissan, Chevrolet and Bombardier boat, with net realization of CA\$18,565.00. This leaves an unsatisfied judgment in this matter as against Shelley, Garth and Norma Sponagle of approximately CA\$60,000.00.

2.5.10. Trevor Hill

2.5.11. The Receiver traced a withdrawal of \$18,473.33 from the JFSI account at FCIB payable to another automobile dealership in Nova Scotia for the purchase of a 2005 Dodge Caravan. This vehicle was subsequently taken into the possession of Trevor Hill, another of the principals of JFSI and resident in Nova Scotia.

2.5.12. Subsequent to a demand issued by the Receiver, the Receiver obtained a Recovery Order dated November 8, 2007 and recovered this vehicle in the latter part of November,

2007. The Receiver caused it to be sold in August 2008 with a net realization of CA\$6,480.00.

2.5.13. Robert Stevens

2.5.14. The Receiver obtained a Recovery Order dated November 8, 2007 with respect to a motorcycle purchased with JFSI funds in the amount of approximately US\$16,400.00 for the benefit of Robert Stevens, a resident of Nova Scotia and acquaintance of Quintin Sponagle. Despite its efforts, the Receiver has not recovered the motorcycle.

2.5.15. The Receiver has evidence of Mr. Stevens' receipt of other funds from the JFSI account at FCIB, and the Receiver has commenced action Mr. Stevens for recovery of those funds on the basis that he was not lawfully entitled to receive same. That litigation includes the amount advanced for the purchase of the motorcycle which was the subject of the Recovery Order. Mr. Stevens has entered a defence and the entire matter remains in litigation at present. The Receiver expects to receive a trial date in that matter some time in 2010.

2.5.16. Norman Stevens

2.5.17. The Receiver has commenced action against Norman Stevens claiming the repayment of \$26,505.00 on the basis that he received those funds from JFSI without any lawful entitlement and has been unjustly enriched as a result. The Receiver's information is that Mr. Stevens received these funds and yet had no investments with JFSI or other basis for claiming any form of entitlement to these funds.

2.5.18. Mr. Stevens has defended this action and the matter remains in litigation at present.

3. Tracing of Foreign Transfers

3.1. Switzerland

3.1.1. In the course of its review of the activity in the FCIB account, the Receiver noted two transfers, one in July and one in September 2006 totalling US \$330,000.00. The wires were made to two different financial institutions in Switzerland (an investment firm and a

bank) to accounts in the name of Jabez Financial Services Inc. In 2007 the Receiver engaged Swiss legal counsel and issued demands to the financial institutions for return of the funds or alternatively for information relating to the onward movement of the funds.

3.1.2. The Receiver understands that as a result of its inquiries the Swiss federal supervisory authority requested an investigating judge open a criminal investigation/proceeding regarding fraud in connection with JFSI. The Receiver has little information about this matter other than the investigation was opened in or around October 2007 as against parties unknown. The Receiver's Swiss counsel continues to pursue the matter for further information.

3.1.3. Although one tranche of funds in the amount of \$80,000.00 which was wired to one of the financial institutions was directed to the Swiss bank, it appears those funds were ultimately maintained outside of the Swiss jurisdiction in a branch of that bank in Liechtenstein. The Receiver has made inquiries of this institution through Liechtenstein counsel and the matter remains unresolved.

3.1.4. The Receiver has obtained account records for the Swiss domiciled investment firm which indicated trading losses on the JFSI account from nominal currency trading activity. More importantly, the records indicated that the bulk of this tranche of funds, \$225,000.00, was wired onward to Hong Kong to an account in the name of Jabez Financial Services Ltd., a company established in Hong Kong but purporting to have a head office in Canada. The Hong Kong account was opened by Quintin Sponagle and Trevor Hill in December 2006 after the issuance of a temporary cease trade order by the NS Securities Commission dated November 8, 2006 and extended by further order dated November 15, 2006.

3.1.5. As noted above the Hong Kong account was funded in February 2007 in the amount of \$225,000.00 by a wire transfer from the JFSI account at the Swiss investment firm, which wire transfer was authorised by Quintin Sponagle. This movement occurred after the Receiver's initial Interim appointment by this Honourable Court and after a Direction to Hold

Funds issued by the NS Securities Commission to various parties including JFSI, Quintin Sponagle, and Trevor Hill.

3.1.6. In order to continue the trace, the Receiver engaged local counsel in Hong Kong to obtain account records at the receiving bank. It was discovered that between March and November 2007 approximately \$124,000.00 had been wired onward from Hong Kong to an Australian "money services bureau" at an account at the Bank of New Zealand. An additional \$100,000.00 was sent to a Californian construction company. Correspondence sent to this company via the Receiver's US legal counsel has been returned undeliverable. The Receiver's investigations with respect to these transactions is ongoing.

3.1.7. Accordingly, \$250,000.00 originating from JFSI investors primarily in Atlantic Canada had passed through a network of accounts in Curaçao, Switzerland and Hong Kong created by or linked to Quintin Sponagle and Trevor Hill and ultimately controlled by Quintin Sponagle.

3.1.8. The Receiver continues to investigate the dissipation of these funds and based on the Receiver's tracing efforts to date, it has concluded that the funds have been used by or for the personal benefit of Quintin Sponagle.

3.2. United States

3.2.1. In the First Report, the Receiver commented that approximately \$930,000.00 was wired from the FCIB account to recipients which could potentially be considered investments. Included in this figure is the \$330,000.00 described in Section 3.1 above. The remaining \$600,000.00 has been traced to recipients in the United States, however, with the benefit of better information, none appear to have been legitimate, regulated investment vehicles.

3.2.2. Winsome Investment Trust

3.2.3. During June and July 2006, two wire transfers were made to move a total of \$500,000.00 from the FCIB account to a Texas-based company called Winsome Investment Trust ("Winsome"). Two months later, \$160,000.00 of those funds were moved from Winsome

back to Canada to fund the Card One Plus debit card program discussed above, ostensibly leaving an investment balance of \$340,000.00 at Winsome.

3.2.4. Following the Receiver's repeated unanswered inquiries of Winsome as to the location and balance of the funds remaining on account for JFSI with Winsome, a letter dated August 27, 2008 was received from Robert Andres, a Director of Winsome. The letter says little other than to allege that any funds previously held by Winsome on behalf of JFSI had been transferred in January 2007 (which was subsequent to the NSSC Cease Trade Orders and Direction to Hold Funds) to a New Zealand company called Crystal Seas Financial Ltd. The Receiver's investigation has revealed that Quintin Sponagle was a Director of Crystal Seas Financial Ltd. at one time.

3.2.5. The \$340,000.00 remains unavailable to the Receiver.

3.2.6. Holly's Day In Heaven

3.2.7. In May 2006, two wires totalling \$100,000.00 were issued to a Cleveland, Ohio based entity called Holly's Day in Heaven, which is operated by a JoAnn Holly. In September 2008, the Receiver contacted Ms. Holly and requested information as to the whereabouts of these funds. Ms. Holly advised that she had met Quintin Sponagle at an investment meeting or seminar and that she merely acted as a pass-through entity, forwarding the funds on to two individuals.

3.2.8. Despite written reminders, Ms. Holly has failed to live up to her assurance that she would provide documentary evidence of the onward transfers and these funds remain unavailable to the Receiver.

4. Demands Made to Non-Investor Recipients

4.1.1. Upon examining the nature of the different types of disbursements made from the FCIB account and the Card One Plus debit card program, the Receiver noted payments to individuals who were not listed as investors in the NSSC List, nor who had been identified as having deposited funds to the FCIB account or the debit card program.

4.1.2. The Receiver is attempting to collect on these assets presently.

5. Claims Process

5.1.1. Until the recent resolution of the Curaçao proceedings involving FCIB and Central Bank, there had been no immediate need to call for and process claims from putative creditors of the JFSI estate. However, with that matter resolved, the Receiver believes it is an appropriate time to establish a process for the determination of proven creditors who will be able to participate in distributions of recovered funds.

5.1.2. This Honourable Court's Order appointing the Receiver dated March 2, 2007 did not prescribe a procedure to take in and assess creditor claims but did, however, contemplate that future orders would be made upon the Receiver's realization of assets. The Receiver has consulted with legal counsel and has prepared a draft claims process which follows the basic elements of a claims process in bankruptcy under the Bankruptcy and Insolvency Act.

5.1.3. The Receiver has instructed legal counsel to file a motion shortly after the filing of this Second Report seeking the Court's approval of a specific claims process to be administered by the Receiver.

6. Receipts and Disbursements

6.1.1. A schedule of Receipts and Disbursements is attached hereto as Appendix "A".

DATED THIS 26th DAY OF JANUARY, 2010

PricewaterhouseCoopers Inc.
In its Capacity as Receiver of the Assets of Jabez Financial Services, Inc.
and Not in its Personal Capacity



David A. Boyd, CA-CIRP
Senior Vice President

PRICEWATERHOUSECOOPERS INC.
RECEIVER OF
JABEZ FINANCIAL SERVICES INC.

Interim Statement of Receipts and Disbursements
For the Period March 2, 2007 to January 26, 2010

	\$US
A. Receipts	
FCIB Recovery Under Order	1,532,740.96
Bank Account Recoveries	24,373.60
Sale of Seized Vehicles	23,229.55
Advance from NSSC	160,625.92
Gain on Foreign Currency	26,847.65
Recoveries from non-investor recipients of funds	2,391.27
Interest	12,737.81
Total Receipts	1,782,946.76
B. Disbursements	
Receiver Fees	153,937.13
Receiver Disbursements	15,705.51
HST Paid - Receiver	23,646.44
Total Receiver Fees and Disbursements	193,289.08
Legal - Canada	440,727.19
Legal - Curacao	97,410.17
Legal - Hong Kong	14,601.90
Legal - Liechtenstein	3,207.65
Legal - New Zealand	8,253.79
Legal - USA	24,766.96
Legal - Panama	6,594.40
Legal - Switzerland	7,677.94
HST Paid - Legal	55,942.08
Total Legal Fees and Disbursements	659,182.08
Investigative Services	3,159.14
Costs award in Curacao litigation, net of costs received	18,340.91
Service Charges	1,391.36
Total Disbursements	875,362.57
C. Excess of Receipts over Disbursements	907,584.19

PricewaterhouseCoopers Inc.
Receiver of
Jabez Financial Services Inc.