

# **Pacifico Global Advisors Ltd. (In Liquidation)**

First Interim Report of the Official Liquidator

For the period of October 2, 2019 to November 30, 2019 concerning the voluntary and official liquidation

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## Glossary of terms

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- “Act” – The Companies (Winding Up Amendment) Act, 2011
- “Ansbacher” – Ansbacher (Bahamas) Limited
- “B\$” - Bahamian Dollars
- “Banks” – three (3) local banks providing banking services to and for the Company – RBC Royal Bank (Bahamas) Limited, Ansbacher (Bahamas) Limited and Deltec Bank & Trust Limited
- “CA\$” – Canadian Dollars
- “CredInvest” – Banca CredInvest SA
- “Company” – Pacifico Global Advisors Ltd. (encompassing its various states: before voluntary liquidation, during the voluntary liquidation and during the current court supervised liquidation)
- “Court” – The Supreme Court of The Bahamas
- “Custodians” – four (4) third party service providers with whom customer funds were invested, i.e. DBT (defined hereinabove), Swissquote, CredInvest and NIB the latter three defined hereinbelow
- “DBT” – Deltec Bank & Trust Limited
- “DFS” - Deltec Fund Services Limited
- “Deltec” – DBT and DFS jointly
- “Euro” – Euro dollars
- “Finamic” - Finamic Services – ATRIUM financial reporting system
- “First Meeting” – meeting of creditors scheduled for January 16, 2020
- “Kicays” – Kicays Accounting and Consulting Services
- “Kikivarakis & Co.” – Kikivarakis & Co. Chartered Accountants and Consultants
- “Klein” – Arturo Klein, Former Chief Executive Officer of the Company, a Director of the Company and the beneficial shareholder of the Company via ownership of shares in the Company and ownership of shares in Valora Investments Ltd., the Company’s majority shareholder.
- “IBC” – International Business Company
- “Liquidator” – joint reference to the Official Liquidator and Voluntary Liquidator both defined here in below
- “Lanciano” – Luca Lanciano, Former Chief Operating Officer of the Company
- “Lyford Fund” – Lyford Diversified Global Fund, SAC
- “NIB” – North International Bank Limited
- “Official Liquidator” – Edmund L. Rahming, Official Liquidator of the Company
- “Order” – Order of the Court dated October 28, 2019 placing the liquidation of the Company under Court supervision and appointing Edmund L. Rahming as Official Liquidator of the Company
- “Petitioner” – Mr. Edmund L. Rahming when he was the Voluntary Liquidator of the Company
- “Phoenix” – Phoenix Capital Limited
- “Receiver” – Philip C. Galanis of HLB Galanis & Co.

Glossary of Terms

- “RBC” – RBC Royal Bank (Bahamas) Limited
- “SCB” – Securities Commission of the Bahamas
- “Segregated Account” – Alfa Pacifico Sub-Fund
- “Sub-Funds” –Fifteen (15) sub-funds sponsored by the Company including Alfa Pacifico Sub-Fund
- “Swissquote” – Swissquote Bank Limited
- “Tamburini” – Eliano Tamburini
- “US\$” – United States Dollars
- “Valora” - Valora Investments Ltd., majority shareholder of the Company
- “Voluntary Liquidator” – Mr. Edmund Rahming from October 2, 2019 to October 27, 2019
- “Welwyn” – Welwyn Limited, corporate secretary and a nominee company controlled and managed by Lennox Paton Corporate Services Limited

# 1 Introduction

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## **Basis of Appointment**

- 1.1 On October 2, 2019, pursuant to a resolution passed by the shareholders of the Company and the Act, the Company was placed into voluntary liquidation and Mr. Edmund L. Rahming of Intelisys was appointed as Voluntary Liquidator of the Company. A copy of the resolution is attached at Appendix 1.
- 1.2 On October 28, 2019, by Order of The Supreme Court of the Bahamas and pronounced by The Honorable Mr. Justice Ian Winder, the voluntary liquidation of the Company was continued under the supervision of The Supreme Court of the Bahamas. Further, Mr. Edmund L. Rahming was appointed as Official Liquidator of the Company. A copy of the resolution is attached at Appendix 1.
- 1.3 Unless otherwise stated all financial data in this report is in United States Dollars ("US\$").

## **Restrictions and Qualifications of the Report**

- 1.4 This first report is prepared and submitted by the Official Liquidator to creditors and customers of the Company for the purpose of providing information regarding the work undertaken by the Liquidator since the date of his appointment as Voluntary Liquidator and continuing through his appointment as Official Liquidator to the November 30, 2019. This first report presents his preliminary findings in preparation for the meeting of creditors and customers of the Company to be held on January 16, 2020.
- 1.5 Neither the Liquidator, Intelisys, Callenders & Co. nor any of the other team members advising Mr. Rahming in this liquidation (voluntary and later under Court supervision) will be responsible for any losses, damages, liabilities or claims arising from the use and/or reliance on this report.
- 1.6 In performing their work, the Liquidator and his team have relied on the integrity and accuracy of the information and documents supplied. Although the Liquidator and his team have attempted to corroborate the information they have obtained from different sources, they have not independently verified all the information and documentation upon which they have relied in preparing this report. In addition, the Liquidator and his team have not performed an audit or review in accordance with General or International Auditing Standards, and consequently, no assurance is expressed in this regard.

1.7 This report has been prepared in a limited time frame and not all information relevant to the investigation of the Company's affairs is at hand. The Liquidator and his team have therefore formed their views based on the information provided to date.

1.8 This report shall not be copied, reproduced or distributed without the prior written permission of the Liquidator.

### **Sources of Financial Data and Information**

1.9 The Liquidator and his team have drawn upon documentation obtained from the Company and information and documentation obtained from the following service providers to the Company:

- (a) Auditors: Kikivarakis & Co. the Company's current auditors
- (b) Data processors: Finamic– Use ATRIUM system (to prepare company holdings information on a consolidated and allocated basis)
- (c) Custodians/Brokers: Four (4) third-party custodians/brokers – DBT, Swissquote, CredInvest and NIB
- (d) Banks: Three (3) banks – RBC, Ansbacher, and DBT

1.10 The Liquidator and his team have also obtained information from the following parties:

- (a) Director and shareholders – Klein;
- (b) The SCB;
- (c) Welwyn – Corporate Secretary; and
- (d) Former staff of the Company.

### **Scope of Work Performed**

1.11 Pursuant to Section 205(3) of the Act, the Official Liquidator may exercise the powers necessary to carry out the duties and functions of a liquidator under the Act and depending on the circumstances, he may or may not need the sanction/approval of the Court. The powers of an Official Liquidator are set out in the Fourth Schedule to the Act and are listed below:

1.12 Powers exercisable with sanction

- (a) Power to bring or defend any action or other legal proceeding in the name and on behalf of the Company;
- (b) Power to carry on the business of the Company, so far as may be necessary for the beneficial winding up of the same;

- (c) Power to dispose of any property of the Company to a person who is or was related to the Company;
- (d) Power to pay any class of creditors in full;
- (e) Power to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging themselves to have any claim (present or future, certain or contingent, ascertained or sounding only in damages) against the Company or for which the Company may be rendered liable;
- (f) Power to compromise on such terms as may be agreed all debts and liabilities capable of resulting in debts, and all claims (present or future, certain or contingent, ascertained or sounding only in damages) subsisting, or supposed to subsist between the Company and a contributory or alleged contributory or other debtor or person apprehending liability to the Company;
- (g) Power to deal with all questions in any way relating to or affecting the assets or the winding up of the Company, to take any security for the discharge of any such call, debt, liability or claim and to give a complete discharge in respect of it;
- (h) Power to sell any of the Company's property by public auction or private contract with power to transfer the whole of it to any person or to sell the same in parcels;
- (i) Power to raise or borrow money and grant securities therefor over the property of the Company;
- (j) Power to disclaim onerous property.

#### 1.13 Powers exercisable without sanction

- (a) Power to take possession of, collect and get property of the Company and for that purpose to take all such proceedings as he considers necessary;
- (b) Power to do all acts and execute, in the name and on behalf of the Company, all deeds, receipts, and other documents, and for that purpose use, when necessary, the Company's seal;
- (c) Power to prove, rank and claim in the bankruptcy, insolvency or sequestration of any contributory for any balance against his estate, and to receive dividends in the bankruptcy, insolvency or sequestration in respect of that balance, as a separate debt due from the bankrupt or insolvent and rateably with the other separate creditors;



- (d) Power to draw, accept, make and endorse any bill of exchange or promissory note in the name of and on behalf of the Company, with the same effect in respect of the Company's liability as if the bill or note had been drawn, accepted, made or endorsed by or on behalf of the Company in the course of its business;
- (e) Power to promote a scheme of arrangement pursuant to section 158;
- (f) Power to convene meetings of creditors and contributories;
- (g) Power to engage staff (whether or not as employees of the Company) to assist him in the performance of his functions;
- (h) Power to engage counsel and attorneys and other professionally qualified persons to assist him in the performance of his functions;
- (i) Power to do all other things incidental to the exercise of his powers.

### **Basis of Findings**

- 1.14 In order for the Liquidator to comply with his duties and obligations, certain aspects of the work has been performed by staff from Intelisys under the direction of the Liquidator. As such, when referring to the work performed, the report makes reference to "we" and "us". These terms are synonymous with the Liquidator.
- 1.15 In addition, the Liquidator have been guided by the advice he has received from his legal counsel, Callenders & Co.

## 2 Executive Summary

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- 2.1 Upon appointment, the Voluntary Liquidator provided notice of the winding up of the Company and his appointment as Voluntary Liquidator to the Company's registered office, directors, employees, professional service providers, banks, custodians, customers, creditors, and the SCB. Additional information in relation to communication with each of these stakeholders is contained in Section 4, *"Activities Upon and Since Appointment"*.
- 2.2 The Liquidator has taken the necessary steps to preserve assets held in the Company's name, including submitting requests to banking institutions that all cash accounts be frozen effective as at the date of appointment and requesting that custodians do not allow any transactions to occur with respect to securities and accounts held in the name of the Company.
- 2.3 The Liquidator has taken possession of the books and records of the Company, including: -
- a) Manual records located on the premises from which the Company previously operated and at a storage site;
  - b) Electronic records stored on the computers and on cloud servers utilised by staff of the Company; and
  - c) Statements and other information obtained independently from custodians and banks.
- 2.4 The Liquidator and his team have conducted a review to determine the precise cause of the liquidation. Based on their review the liquidation was ultimately caused by the mismanagement of the Company. In 2017 the Company began to experience a cash shortage/solvency issue which was the result of paying out "excessive cash" to related parties for business introductions and consulting. During the years 2018 and 2019 the cash shortage issue was exasperated by late and inaccurate reporting on the Sub-Funds, the Sub-Funds being placed into receivership, and the Company's strategic decision not to take on new clients while regularizing its portfolio.
- 2.5 The Liquidator and his team have had limited time to review the Company's records, however based on what they have seen or been told to date, they have identified a number of areas of concern which require further analysis or investigation for the purpose of assessing the Company's financial position and the position vis-a-vis its customers and the Sub-Funds. The more significant areas of concern are: -

- a) The Company's accounting records are several months in arrears as at the date of the Liquidator's appointment. Further, audited accounts have not been issued since the 2017 financial year in breach of Sections 30 and 31 of the Securities Industry Act, 2011. The Liquidator has undertaken a broker reconciliation exercise for the purposes of bringing the client accounts up to date.
- b) Commissions receivable includes a substantial amount due related to the investments in the Sub-Funds and based on the NAVs. The Official Liquidator will calculate the exact amount and address with the Receiver and seek sanction of the Court.
- c) Redemptions were made from the Sub-Funds with the knowledge that the NAVs were inflated and illiquid investments existed in the Sub-Funds. While this is an issue primarily for the Receiver to address, it does have an adverse impact on customers of the Company that currently have holdings in the Sub-Funds.
- d) There were unauthorized transactions involving one of the Custodians after notification of the liquidation of the Company. The Official Liquidator will address these issues.
- e) There are substantial related party payments and transfers made with the apparent knowledge that insolvency of the Company would occur. There also appear to be creditor payments made shortly before the liquidation which were transacted with the knowledge that the Company would shortly become insolvent. These payments and transfers will be reviewed by the Official Liquidator in accordance with the Act.
- f) As noted previously, a cause of the insolvency was the reporting issues the Company had with one of the local Custodians. The Company has documented several claims against the custodian. These claims will be reviewed, and a recommendation made to the creditors and customers.

2.6 As a result of preliminary investigations to date, the Liquidator believes that further financial and legal analysis is required to determine the financial position of the Company, what improprieties (if any) occurred, what potential claims (if any) the Company may have, and the amounts owed to creditors and customers. The Official Liquidator intends to make recommendations to the customers and creditors and to seek the direction of the Court to undertake the financial and legal analysis.

- 2.7 Until such time as the Court provides directions in relation to these matters the Official Liquidator has determined to limit any further work in respect of the liquidation to those matters necessary to comply with his fiduciary responsibilities. Such work includes, the calling and holding of a meeting of creditors and customers, safeguarding the assets of the Company, complying with various statutory requirements, including the application for the use of trust assets to cover the cost of the liquidation, the application for directions on the way forward vis-à-vis the Sub-Funds and commissions receivable, continuing liaison with the SCB, and other matters necessary for the Official Liquidator to discharge his duties.

### 3 Background

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#### Principal Activities of the Company

- 3.1 The Company was incorporated on September 30, 2011. On December 30, 2011 the Company was registered and licensed by the SCB to “Manage Securities”. The principal activity of Company for the years 2012 to 2014 was providing investment advisory services. These services were provided to clients via a third-party platform provided by APMS Assets and Portfolio Management Services Ltd. The Company hired Tamburini as Chief Executive Officer in early 2013. He was employed with the Company from March 2013 to December 2017. Lanciano was hired as Chief Operating Officer in late 2014. He was employed with the Company from October 2014 to June 2018. The Company operated from the Royal Star Building, JFK Drive for the period from October 1, 2014 to September 30, 2018. On October 1, 2018 the Company moved to 1 Pineapple House, Old Fort Bay, West Bay Street.
- 3.2 On September 11, 2015 the Company was licensed and registered by the SCB for “Managing Securities, Dealing as Agent or Principal, Arranging Deals in Securities, and Advising on Securities”, effectively a broker-dealer license. The principal activities of the Company became managing securities, dealing as agent or principal, arranging deals in securities, and advising on securities.
- 3.3 The clients were referred to the Company mainly by Klein, Tamburini and Lanciano. We noted that the majority of clients on the Company’s books were clients referred by Tamburini and Lanciano.
- 3.4 The Company’s assets under management as at year-end December 31 were as follows: 2014: \$118M; 2015: \$282M; 2016: \$334M; 2017: \$314M; 2018: \$229M
- 3.5 The Lyford Fund, an open-ended investment fund incorporated in the Bahamas in June 2015, was promoted to the management of the Company by executives at Deltec, as a beneficial investment holding structure for the Company’s clients. Between October 2016 and June 2017, the Company sponsored a total of twenty Sub-Funds or Segregated Accounts linked to the Lyford Fund and had over \$217M (as of December 31, 2017) or approximately 70% of its assets under management placed into the Sub-Funds. The Segregated Account was the main fund sponsored by the Company.

## 3 Background

- 3.6 For the Company's sponsored Sub-Funds, DFS acted as the Administrator, Transfer Agent, and Registrar of the Sub-Funds, DBT acted as custodian, and Deltec Fund Directors Ltd. and Deltec Fund Governors Ltd. acted as Directors of the Lyford Fund. The Company was the Investment Manager of the Sub-Funds and custodian of most of the assets of the Sub-Funds. The Company's clients are the investors and shareholders of the Sub-Funds, and Ansbacher and CredInvest act as custodians of some of the assets of the Sub-Funds.
- 3.7 The status of the Sub-Funds sponsored by the Company is shown in the table below. As at November 30, 2019 fifteen (15) of the Sub-Funds are in receivership, two (2) of the Sub-Funds were liquidated, two of the Sub-funds were not funded, and one (1) of the Sub-Funds is closed.

No.	Sub-Fund Name	Current status	Assets Under Management as at Dec. 31, 2017
1	Alfa Pacifico Sub-Fund	In receivership	\$83,451,988.48
2	Basur Sub-Fund	In receivership	\$3,511,911.49
3	Bullion Pacifico Sub-Fund	Liquidated - June 29, 2018 (account overdrawn)	\$3,025,984.81
4	Saturr Sub-Fund	In receivership	\$3,462,829.28
5	Spectator Sub-Fund	In receivership	\$12,147,561.39
6	WIK Sub-Fund	In receivership	\$2,594,817.47
7	Patrice Sub-Fund (USD)	Liquidated – requested July 4, 2018	\$5,826,104.39
8	EUR Conservative Sub-Fund	In receivership	\$10,453,547.42
9	Global Opportunities NX Sub-Fund	Closed (the Company still has custody of assets)	\$3,869,982.43
10	Global Opportunities Fund EUR SF	Not funded	
11	Global Opportunities KR Sub-Fund	In receivership	\$2,066,955.87
12	Global Opportunities Sub-Fund EUR LU	In receivership	\$1,537,576.15
13	LAM Sub-Fund	In receivership	\$19,181,625.63
14	ALM Sub-Fund	In receivership	\$19,302,257.32
15	Omega Pacifico Sub-Fund	In receivership	- (in initial offering stage as at December 31, 2017)

## 3 Background

16	Pacifico Global Opportunities Sub-Fund CM	In receivership	\$5,476,297.84
17	Pacifico Global Opportunities Sub-Fund GT	In receivership	\$26,661,157.65
18	Pacifico Global Opportunities Sub-Fund KA	In receivership	\$8,804,604.78
19	Pacifico Global Opportunities Sub-Fund OR	Not funded	-
20	Pacifico Global Opportunities Sub-Fund DE	In receivership	\$5,892,956.04
Total			\$217,268,158.40

**Events prior to the Liquidator's Appointment***Internal Conflict*

- 3.8 We understand that in early 2017 the Company began to experience internal conflict amongst its stakeholders. The stated reasons for the internal conflict vary and include a lack of communication between the managing shareholder and executive management, a lack of transparency in the day-to-day operations of the Company, a lack of sufficient documented policies and procedures, a lack of adherence to existing policies and procedures, and an emerging and constant monthly cash flow shortage that resulted in an inability to pay in a timely fashion the business introducers.
- 3.9 On November 30, 2017, the SCB was advised by the Company's legal counsel of its intention to dismiss Tamburini, CEO, effective December 4, 2017, and to replace him with managing shareholder, Klein. Subsequently, the Company's Compliance Officer, Ms. Candice McPhee was dismissed effective March 16, 2018 and Lanciano, the Company's Chief Operating Officer resigned effective June 30, 2018 (He tendered his resignation letter on March 31, 2018).
- 3.10 Prior to his departure from the Company, Lanciano set up a new investment advisory firm, Phoenix Capital Ltd. firm licensed with the SCB in May 2018.

### 3 Background

- 3.11 Tamburini sent instructions, via Phoenix Capital Ltd., to DFS on May 29, 2018 for redemptions representing 51% (approximately \$28M Euro) of the assets in the Segregated Account, a Sub-Fund of the Lyford Fund. The redeemed assets were to be placed by subscription into a new Segregated Account called EUR Top Selection Sub-Fund sponsored by Tamburini. EUR Top Selection Sub-Fund was to be administered by Deltec. The redemptions were to occur on June 30, 2018. These instructions were not executed. (We are informed that the Company at the request of Klein was provided by DFS a listing of redemption requests, including 51% of assets of the Segregated Account, in late June 2018. Prior to this the Company claims to have not been informed or aware of the redemption requests sent by Tamburini to DFS.)
- 3.12 On June 6, 2018 the Company (without the knowledge of 51% redemption request) wrote DFS and advised that it would be transferring the investment management mandate of twelve (12) sponsored sub-funds (EUR Conservative, CM, GT, KA, DE, OR, NX, SF, KR, LU, LAM, and ALM) to Phoenix Capital Ltd. The understanding of the Company was that the investment management mandate would be transferred on June 30, 2019 to Phoenix Capital and the Company would maintain the custody arrangement.
- 3.13 On June 28, 2018 the Company advised Deltec that Lanciano was no longer an authorized signatory of the Company and it had come to its attention that he had acted and was acting in a manner adverse to the Company i.e. the 51% of assets in the Segregated Account redemption requests and subscriptions to the EUR Top Selection sub-fund. On June 29, 2018 the Company questioned the validity of the redemption requests of 51% of the assets of the Segregated Account as they came from a staff member, Lanciano, of the Company acting on behalf of Phoenix Capital Ltd. in a manner adverse to the Company and without authorization of the Company.
- 3.14 A dispute arose between Deltec, the Company, Tamburini and Lanciano/Phoenix Capital which resulted in the instructions not being carried out.
- 3.15 Between January 21, 2019 and June 19, 2019, Tamburini and Mr. Gianluca Berti, a business introducer to the Company, requested the closure and transfer of thirty-nine (39) individual client account mandates, setup and referred by them, with assets under custody of the Company and/or invested in the Segregated Account.
- 3.16 On June 29, 2019, Lanciano requested the closure and transfer of eighty-four (84) individual client account mandates, setup and referred by him, with assets under custody of the Company and/or invested in thirteen (13) sub-funds including the Segregated Account. Subsequently, the Company received additional requests for closure and transfer of fourteen (14) individual client account mandates, setup and referred by him, with assets under custody of the Company and/or invested in thirteen (13) sub-funds including the Segregated Account.



### 3 Background

3.17 Some of the transfer requests of Tamburini and Lanciano were not executed due to various factors including insufficient KYC on customer files and the cessation of third-party payments by CredInvest, the main custodian of the Company.

3.18 It should be noted that Mr. Marc Brune was hired in October 2017 by the managing shareholder to be the chairman of the Company. We were advised that he was hired to conduct an internal review of the client relationship and operations of the Company. He led the successful negotiation of a settlement of due and outstanding commissions with Tamburini. He was ultimately unsuccessful in keeping the client account mandates that were referred by Tamburini and Lanciano with the Company.

#### *Deltec*

3.19 Based on a preliminary review of the Company's books and records, the Company raised several issues it had with Deltec which included:

- a) Deltec was conflicted and acting in a manner adverse to the Company by accepting the redemption instructions from Lanciano/Phoenix and Tamburini;
- b) The contract notes received by the Company from DFS were late and not accurately calculated;
- c) The NAVs were often provided to the Company late and with errors. The late NAVs resulted in an inability to pay itself management fees and to provide clients with timely statements of holdings;
- d) The NAVs contained valuation errors;
- e) There were errors made by DFS with the payment of management fees; and
- f) There were investments in the Sub-Funds that did not follow the short-term liquidity requirement of the CPOM and there were often listed holdings with pricing errors.

3.20 The Company claims these issues negatively impacted the Company's business by resulting in cash shortages, an inability to pay itself management fees, an inability to file year-end financial statements to meet Regulator mandated deadlines, customer complaints to the SCB, negative publicity, legal threats from customers, and the loss of customers.

3.21 The Official Liquidator and his team will review these claims and make recommendations to the creditors and customers.

### 3 Background

- 3.22 As previously noted, approximately \$217M of assets under management (or over 70% of the Company's assets under management) were transferred between October 2016 and June 2017 into sub-funds of the Lyford Fund sponsored by the Company. The Company acted as investment manager and custodian, DFS acted as the Administrator of the funds, and Deltec Fund Directors Ltd. and Deltec Fund Governors Ltd. acted as Directors of the Lyford Fund.
- 3.23 Prior to the liquidation and as previously noted, redemption requests for 51% of the assets of the Segregated Account were made, redeemable as at June 30, 2018. We understand that DFS received letters from the majority of the Alfa Pacifico Sub-Fund requesting the investment manager be changed from the Company to Phoenix. The Company advised that several meetings were had with DFS, the Company and Phoenix to address valuation and pricing issues.
- 3.24 A dispute arose between the Company, Deltec and Phoenix. The dispute arose due to the Company apparently not having knowledge of the large redemption request that was made by Phoenix while Lanciano was employed by the Company and the proposed change in custodianship from the Company to DFS. DFS, in its capacity as Administrator of the Sub-Funds and proposed Administrator for the EUR Top Selection sub-funds was conflicted. It became apparent that the dispute potentially endangered the assets in the Segregated Account. The dispute was further complicated by ongoing redemption requests to various Sub-Funds, valuation errors and lack of timely NAVs, liquidity issues and cross investments across the Sub-Funds.
- 3.25 On July 30, 2018, a suspension notice was sent the shareholders of the Segregated Account.
- 3.26 On August 1, 2018, the Segregated Account was suspended by unanimous consent of the Board of Directors of the Lyford Fund.
- 3.27 On March 7, 2019, the Segregated Account was placed into receivership and Mr. Philip Galanis was appointed Receiver-Manager by the Board of Directors of the Lyford Fund. The other sub-funds were placed into receivership on May 28, 2019.
- 3.28 As previously noted, the assets placed with the Sub-Funds by the Company had previously accounted for approximately 70% of the Company's asset under management. By December 31, 2018, due to the closure of client accounts, transfer of accounts, and other changes at the Company, the percentage of the Company's assets under management in the Sub-Funds was 52% (\$114M) and 87% of assets under custody. These assets were all in receivership by May 28, 2019.

### 3 Background

- 3.29 On March 13, 2019, the Company received a revocation notice from the Receiver for the Segregated Account. The Investment Manager role of the Company was revoked and a request was made for the transfer of all assets of the Segregated Account. On May 28, 2019, the Company received revocation notices for the other Sub-Funds.
- 3.30 On August 27, 2019, the Company sent instructions to its various custodians requesting the transfer of assets to the Receiver.
- 3.31 As at September 30, 2019, approximately \$47M in assets has been transferred from the Company's custody to the Receiver.
- 3.32 As at September 30, 2019, total assets in custody with the Company related to the Sub-Funds in receivership consist of securities with a market value of \$28,125,872 and cash of \$39,320,258.
- 3.33 During the month of October 2019, a total of \$13,446,006 had been transferred from the Company's omnibus account at Deltec and onto the Receiver. This transfer was made without the authorization of the Liquidator. The Official Liquidator will review this transaction.
- 3.34 As at November 1, 2019, the total assets related to the Sub-Funds remaining in custody with the Company consist of securities with a market value \$28,689,531 and cash of \$26,623,616.

#### *Internal Investigations and resulting Company's Approach*

- 3.35 As previously stated, Mr. Brune was hired as the new Chairman of the Company in October 2017. He was charged immediately with conducting an investigation into the Company's affairs. He was assisted in the investigation by Mrs. Nadia Butler, the new Compliance Officer at the Company. The reported findings of their internal investigations were that the Company lacked clear operational and compliance related policies and procedures, there were no internal controls, there were no corporate resolutions for decisions made, there was no operational transparency, management personnel operated independent of each other and there was no knowledge of what the other was doing, many of the client files lacked proper KYC documentation, and some of the clients appeared to be involved in suspicious transactions.
- 3.36 As a result of the internal investigation a total of 7 STRs were filed with the Financial Intelligence Unit and copies were provided to the SCB.

### 3 Background

- 3.37 We were informed that given the results of the internal investigation the Company took the strategic operational decision to not engage new clientele prior to clearing all irregularities and to closing existing accounts that did not have KYC documentation and that raised red flags. New business clients were not engaged by the firm during the period August 2017 to liquidation date.

#### *Cash Shortfall*

- 3.38 We were informed that during 2017, the Company began to experience cash shortages and was unable to pay certain expenses, including commissions to business introducers, in a timely fashion. We understand that this was the result of the cash withdrawals and business introducer fees that over time placed a strain on the Company's cash resources. Factors that further exasperated the cash shortage issue include:
- a) The transfer of the majority of the assets under management by the Company to sponsored Sub-Funds of the Lyford Fund at DFS. The Company's books and records reveal a number of issues that the Company documented on the reporting of the Sub-Funds and the payment of management fees and late fees. The Company was unable to pay itself investment manager fees and administration fees on a timely basis. These issues will be further reviewed by the Official Liquidator.
  - b) The Sub-Funds were eventually placed in receivership and therefore no cash revenue would be forthcoming from the majority of its client portfolio.
  - c) The Company took the strategic decision to not engage new clients (from August 2017 onwards) until after it had addressed irregularities found at the Company. Furthermore, the Company closed all client relationships it found to be suspicious or for which proper KYC was not found on file. This resulted in no new revenue.
- 3.39 The cash shortage/solvency issue and resulting liquidation of the Company appears to have been caused by poor management of the Company, specifically paying out "excessive cash" to related parties, the inability to pay itself management and administration fees in a timely fashion, the Sub-Funds being placed into receivership, and the strategic decision not to take on new clients.
- 3.40 The capital requirement of the Company of \$300,000 does not appear to have been breached during the period August 2017 to September 2019. However, had the Company continued to operate and not receive a capital injection the capital requirement would have been breached in October 2019.

### 3 Background

#### **Incorporation and Licensing**

- 3.41 The Company was incorporated on September 30, 2011 and is registered with the Companies Registry of The Bahamas under No. 60146C. A copy of the Certificate of Incorporation is attached as Appendix 2. On December 30, 2011 the Company was registered and licensed by the SCB to “Manage Securities”. A copy of the license certificates attached at Appendix 3.
- 3.42 On September 11, 2015 the Company was licensed and registered by the SCB for “Managing Securities, Dealing as Agent or Principal, Arranging Deals in Securities, and Advising on Securities”, effectively a broker-dealer license.
- 3.43 The registered office of the Company as at the date of the appointment of the Liquidator was Lennox Paton Corporate Services Ltd., 3 Bayside Executive Park, Blake Road & West Bay Street, Nassau, The Bahamas. The Company’s operating office was located at No. 1 Pineapple House, West Bay Street, Nassau, The Bahamas.
- 3.44 The Company derived its revenue from the provision of investment management services to customers. Revenue included portfolio/asset management fees, transaction charges, custodian fees, direct investment facilitation fees, and other miscellaneous fees. A copy of the Company’s fee schedule is shown at Appendix 4.

#### **Share Ownership Structure**

- 3.45 The Company is limited by shares and the authorized capital as stated in the Memorandum is \$25,000 divided into 25,000 shares having par value of B\$1 each all being of a single class designated as “ordinary shares”. These shares are held as follows:

Shareholder Name	Shares Held	B\$ Value
Valora Investments Ltd. (I/T for Arturo Klein)	20,000	20,000
Arturo Klein	5,000	5,000
Total	25,000	\$25,000

#### **Administration and Management**

- 3.46 The Company’s Board of Directors included Thomas Coughlin (resigned May 27, 2019) and Alessandra Calcagno (appointed June 17, 2019, subject to approval of the SCB. The latest annual return dated January 17, 2019 provides the following information regarding the Company’s directors/officers: -

## 3 Background

Title	Name
Director/Managing Director/Chief Executive Officer	Arturo Klein (resigned as Chief Executive Officer on September 20, 2019)
Director	Thomas Coughlin (resigned May 27, 2019)
Secretary	Welwyn Limited (resigned November 4, 2019)
Chief Operating Officer ("COO")	Kareem Kikivarakis (March 19, 2019 to September 30, 2019)
Vice President, Accounting and Fund Services	Quetelle Ferguson
Vice President of Office Operations	Delecia Campbell
Compliance Officer and MLRO	Vanasha Nadia Shearer-Butler

- 3.47 At the time of appointment of the Liquidator the Company was operated on a day-to-day basis by Kareem Kikivarakis as COO, Ms. Quetelle Ferguson, Vice President, Accounting and Fund Services, Ms. Vanasha Nadia Shearer-Butler, Compliance Officer and MLRO, and Ms. Delecia Campbell, Vice President of Office Operations. Darren Seymour was the licensed trader at the Company.
- 3.48 For the period April 2018 to the date of liquidation, the Company's accounting (including bookkeeping and financial reporting) and management function was carried out by Kicays Accounting and Consulting Services, a company owned and operated by Kareem Kikivarakis. In March 2019, Kareem Kikivarakis was appointed Chief Operating Officer by a resolution of the Board of the Company and held this position through to September 30, 2019.
- 3.49 The Company's auditor is Kikivarakis & Co., located at Caves Professional Centre, Caves Village, West Bay Street & Blake Road, Nassau, The Bahamas. The last audit completed by Kikivarakis & Co. was of the Company's financial statements for the year-ended December 31, 2017 which was completed on May 15, 2018. A copy of the audited financial statements dated December 31, 2017 and of a draft unaudited financial schedule showing December 31, 2018 results are attached at Appendix 5.

### Structure of Services and Clientele

- 3.50 The Company is a standalone legal entity. At this time, we have found no other corporate structures legally related to it.

### 3 Background

- 3.51 The Company is a broker-dealer and engaged in advisory, custody, dealer/trading activity. Assets of clients are held under management and are subject to a discretionary management agreement. Assets of clients are held in custody and are subject to a custody agreement.
- 3.52 Clients are brought to the firm by business introducers who are paid a percentage on the gross value of the investments by the client.
- 3.53 Client accounts are in the form of individual name accounts or IBCs that have third party registered offices. At the time of appointment of the Official Liquidation there were a total of 126 client accounts, including 12 client accounts with Sub-Fund investments only, 44 client accounts with investment holdings independent of the Sub-Funds, and 70 client accounts with investment holdings both in the Sub-Funds and otherwise.

## 4 Activities Upon and Since Appointment

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### Assuming Control of the Operations and Assets of the Company

- 4.1 Immediately on appointment, the Liquidator and his team attended the office of the Company and secured the premises and records, including, inter alia: -
- (a) Advising all staff in attendance, of Voluntary Liquidator's appointment by resolution of the shareholders and outlining his duties and powers, specifically that all management control of the Company vested in the Voluntary Liquidator and that no action in respect of the affairs of the Company or its assets, wherever situated, could be taken without the express permission of the Voluntary Liquidator;
  - (b) Arranged for the access codes to the office be changed and all access to the premises to be controlled by the Voluntary Liquidator or his staff, and obtained and secured all keys for the doors, desks, and filing cabinets;
  - (c) Obtained a copy of all data and information stored on the Company's computer system as at the date of appointment of the Voluntary Liquidator and reviewed system access and security measures, including limiting the access to such systems as deemed appropriate by the Voluntary Liquidator; and
  - (d) Reviewed the staffing requirements of the Company in view of the liquidation and engaged essential staff on casual terms at rates of pay not less than those which the Company had engaged them.
- 4.2 The Liquidator has undertaken the following activities to secure the Company's assets and Fiduciary assets:

#### Cash at bank

- 4.3 The Liquidator has communicated his appointment in relation to bank accounts held in the Company's name with RBC, Ansbacher and Deltec. On October 8, 2019, the Liquidator provided notice to the Banks to freeze activity on the accounts. Based on our review, the balances of the accounts are as follows as at October 2, 2019:-



Bank	USD	BSD	GBP	CHF	EUR	Total USD (Converted)
Ansbacher	6,407		922	12,994	109,634	141,837
Deltec	(3,941)				68,600	71,982
Royal Bank		63,550				63,550
Petty Cash		919				919
<b>Total</b>	<b>2,466</b>	<b>64,469</b>	<b>922</b>	<b>12,994</b>	<b>178,234</b>	<b>278,288</b>

- 4.4 The Liquidator has assumed control of the RBC accounts by revising the account and signatory information and had the name on the accounts changed to “Pacifico Global Advisors Ltd. (in Voluntary Liquidation)”. All funds at Ansbacher and Deltec will be deposited and combined with the RBC account balances under the Liquidator’s control.

#### Accounts Receivable

- 4.5 Accounts Receivable includes Commissions and fees receivable, Due from Clients, and Other receivables. The balance of Accounts Receivable as at October 2, 2019 provided by the Company is \$1,397,450. The Liquidator’s preliminary review and inquiries have not provided a final account balance and have only confirmed that the amount may be understated due to missing information. The Official Liquidator will need to conduct further research and analysis.

#### Prepayments and deposits

- 4.6 The balance of Prepayments and deposits as at October 2, 2019 provided by the Company is \$124,078. The Official Liquidator is conducting a review to determine the prepaid amounts that can be returned to Company.

#### Other Assets

- 4.7 The other assets identified by the Liquidator as assets of the Company relate to office furniture and prints, equipment, and computers. These assets were recorded in the Company’s accounting records as having a balance of \$62,598 as at October 2, 2019, however we understand adjustments are necessary. The Liquidator’s team prepared an updated Fixed Asset register with cost and estimated liquidation values. A court application was made on October 28, 2019 and a court order obtained on the same date for the sale of the office furniture and accessories. The successful sale of the entire furniture and equipment inventory took place on October 30, 2019 for approximately \$15,500.

Assets under Custody

- 4.8 On October 8, 2019, the Liquidator wrote to approximately fourteen (14) financial institutions and companies that held or currently hold assets on behalf of the Company for customers and clients.
- 4.9 The entities were notified of the voluntary liquidation and were instructed not to conduct transactions on the Company's account without the authorization of the Liquidator.

**Premises and Records**

- 4.10 The Liquidator determined that the ongoing costs of maintaining the office premises would significantly increase the costs of the Liquidation and having regard to the strategy of the liquidation (as detailed further below) maintaining the premises was not in the best interests of the estate. Therefore, the Liquidator and his team took the necessary steps to vacate the office. All active client files and current Company documents were scanned and placed on the Liquidator's computer system. All books and records, and office equipment, including computers, servers and related equipment have been relocated either to the office of the Liquidator or to a secure storage facility under the control of the Liquidator.
- 4.11 The Liquidator has written to all parties whom they believe may hold books and records of the Company requesting copies of these records. The books and records of the Company also include electronic records which are located on the Company's computer server, which has been removed from the Company's premises and is being stored in a location under the control of the Liquidator.
- 4.12 It became clear, as the Liquidator and his team conducted their initial investigations, that the books and records of the Company, and in particular, its accounting records were at least nine months in arrears. We were provided with a listing of journal entries for eight months however, the entries had not been entered into the Company's accounting system. Furthermore, the Company had not issued audited financial statements for the most recent year-ended December 31, 2018. The Company had sought a deadline extension from the SCB and was waiting on critical NAV information to update its Commissions receivable and payable amounts for the financial statements for year-ended December 31, 2018.

- 4.13 We understand the Company's external auditors, Kikivarakis & Co., had begun the audit of the year-end 2018 financial statements and found missing information and errors i.e. management fees and commissions payable, requiring adjustments. We were told the external auditors also had concerns about the solvency of the Company. The Company was to revert to the auditors with updated financial information, including solvency information, to complete the audit. On this basis, the Company sent a deadline extension request for the filing of its 2018 financial statements to the SCB. We understand the Company did not revert to the external auditor with updated financial statements/information before it was placed into voluntary liquidation and as a result the audit for the year-ended December 31, 2018 has not been completed.
- 4.14 We have requested an interview with the external auditors and have provided a listing of questions and requested documents. We await a response.
- 4.15 Ascertaining the contact details of the customers and beneficial owners of IBCs is now completed however a significant amount of time has been spent by the Liquidator's staff in this regard. Notices have been sent to those customers whose contact details have been located although it is not evident from the records reviewed to date whether such contact records are current. The accuracy of the contact information is of concern in relation to those customers who gave hold mail instructions to the Company, notwithstanding that it is the customer's obligation to maintain contact and collect mail.
- 4.16 The Liquidator has undertaken an extensive exercise to update the ATRIUM-Finamic client accounting system with all transactions and balances found on the custodian bank statements. Prior to our appointment the Custodians were not communicating with the Company. The updating of the ATRIUM-Finamic client accounting system has allowed the Liquidator and his team to conduct a reconciliation of the client accounting data at the Company to the custodians' data – a broker reconciliation process. The reconciliation exercise is ongoing.

#### **Application for Court Supervision**

- 4.17 Immediately following his appointment, the Liquidator formed the opinion that it would be beneficial for the liquidation of the Company to be placed under the supervision of the Court due to doubts regarding the Company's solvency. Further, this was the instruction of the SCB.
- 4.18 On October 24, 2019 the Voluntary Liquidator filed a Petition with the Court seeking an Order for the supervision of this liquidation. On October 28, 2019 the matter was heard and an order was made on October 28, 2019 for the continuation of the liquidation under the supervision of the Court and for the appointment of Edmund L. Rahming as the Official Liquidator of the Company. A copy of the Order is shown at Appendix 6.

- 4.19 A Certificate of Insolvency was prepared by the Official Liquidator on November 27, 2019 and filed with the Court. A copy was also provided to the Registrar of Companies.

#### **Communication with Employees**

- 4.20 As at the date of appointment of the Liquidator, the Company employed four (4) full time employees.
- 4.21 On October 2, 2019 (being the first working day of the Liquidators' appointment), the Liquidator and his team met with the staff of the Company and advised that their employment would be immediately terminated. The Liquidator also prepared letters addressed to the former employees confirming their termination.
- 4.22 The Liquidator has re-employed two (2) of the former employees on a casual basis pursuant to the same terms and conditions which they were employed by the Company to assist the Liquidator in understanding the Company's operations, and to assist in the reconciliation of the accounting records.

#### **Communication with Directors**

- 4.23 As at the date of appointment, the only active Director of the Company was Mr. Arturo Klein, managing shareholder. The Liquidator engaged in a telephone conversation with Klein on October 23, 2019 to advise him of a shareholders' resolution for the supervision of the liquidation that would require his signature. On November 11, 2019, the Liquidator and his team held an extensive interview with Klein to discuss the history of the Company, the operations of the Company and its financial position. To date, Klein has assisted the Liquidator by providing relevant information that will assist in the Official Liquidator's further investigations of the Company's financial affairs.
- 4.24 Mr. Coughlin resigned as a Director on May 27, 2019. As at the date of this report the Liquidator has not communicated with Mr. Coughlin as he was not a director at the time of the Liquidator's appointment. The Official Liquidator will be communicating with Mr. Coughlin in the near future.

#### **Communication with Creditors and Customers**

- 4.25 The Liquidator's preliminary review of the Company's records regarding its customers reflected that immediately accessible customer contact information is not readily available. In order to identify the customer contact information the Liquidator and his team have to undertake a detailed review of the Company's files and records and ensure, so far as possible, that the information found is the most recent provided by the customer. This review is now completed.
- 4.26 The following correspondence has been issued by the Liquidator and can be viewed on liquidation website:

No.	Date	Title & Description
1	October 4, 2019	General Letter to Service Providers/Vendors – Includes Notice of Appointment as VL and Consent to Act
2	October 8, 2019	Notification Letter to Banks – All Banks
3	October 8, 2019	Notification Letter to Fiduciaries – All Brokers and Private Banks
4	October 24, 2019	Circular to Customers and/or Clients as Addressed – General letter on VL and POD form included.
5	November 11, 2019	Notice of Supervision of Liquidation and Appointment of Official Liquidator – Copy of Orders attached
6	November 22, 2019	Notification to Creditors of the Postponement of the Creditors Meeting
7	December 9, 2019	Notification Letter to Registered Offices of IBCs

- 4.27 On October 4, 2019, the Liquidator wrote to each known trade creditor of the Company notifying them of his appointment as Voluntary Liquidator and his Consent to Act and included a Proof of Debt form for creditors to submit to the Liquidator in respect of their claim against the Company.
- 4.28 On October 24, 2019, the Liquidator distributed a circular to those customers whose contact details he had located notifying them of his appointment and providing them with tentative notice of the First Meeting. This notification also included a Proof of Debt form to be submitted to the Liquidator in respect of the funds invested by the customers with the Company. On November 22, 2019, the Liquidator wrote to all creditors providing Notice of the Postponement of the First Creditors and Customers Meeting.
- 4.29 On November 11, 2019, the Official Liquidator provided notice of the continuation of the liquidation under the supervision of the Court and the appointment of himself as the Official Liquidator of the Company.
- 4.30 On November 28, 2019, the Official Liquidator wrote to all Registered Offices for the IBCs that held fiduciary accounts at the Company. The letter was to ensure that no actions were taken by the Directors that might adversely impact the fiduciary assets and to seek information on the beneficial owners of the IBCs.

- 4.31 To facilitate communication between the Liquidator and stakeholders of the Company, the Liquidator has established a website, [www.pga-liquidation.com](http://www.pga-liquidation.com), where stakeholders can refer from time to time for updated information in relation to the progress of the liquidation of the Company. An email address has also been established to facilitate faster direct communication with the Liquidator and his team to address all questions or comments the Creditors and Customers might have - [pgaliquidation@intelisysltd.com](mailto:pgaliquidation@intelisysltd.com). The Liquidator and his team have also met with and spoken with creditors and customers at their request and continue to meet with creditors and provide information where possible.
- 4.32 The Company's website ([www.pacifico-ltd.com](http://www.pacifico-ltd.com)) has been updated to reflect the appointment of the Liquidator.

#### **Communication with the Securities Commission of the Bahamas and Financial Intelligence Unit**

- 4.33 On September 19, 2019, the SCB wrote to Klein advising that pursuant to Sections 45(1) of the Securities Industry Act and 49(1) of the Investment Funds Act, 2003, the SCB would conduct an on-site examination of the operations of the Company commencing October 28, 2019.
- 4.34 On September 20, 2019, Klein wrote to Ms. Christina Rolle, Executive Director of the SCB, to ask the SCB to select a liquidator for the Company and to advise of the Directors and Shareholders support in this effort. He further advised of his immediate resignation as CEO of the Company and that COO was only engaged through to September 30, 2019.
- 4.35 On October 3, 2019, Ms. Christina Rolle wrote to Klein approving the Company's decision to voluntarily wind-up its affairs subject to the winding up becoming supervised by the Court within fourteen (14) days of the receipt of the letter. The SCB further advised of its selection of Edmund L. Rahming of Intelisys as the Voluntary Liquidator of the Company. Mr. Rahming was copied on the letter.
- 4.36 On October 4, 2019, Mr. Rahming wrote the SCB providing executed copies of the notice of appointment, consent to act, and shareholders' resolution to place the Company into voluntary liquidation.
- 4.37 The Liquidator and his team are maintaining regular communication with the SCB and will continue to provide it with updates regarding the progress of liquidation process.
- 4.38 The Official Liquidator wrote to the Financial Intelligence Unit on October 29, 2019 advising it of the liquidation and that Ms. Vanasha Nadia Shearer-Butler, the Company's Money Laundering Reporting Officer, was no longer employed with the Company.

## 5 Review of Financial Position

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### Source of Information and Limitations

- 5.1 The Company's financial information contained herein is as at September 30, 2019, unless otherwise stated, has been prepared using information obtained from the sources described in paragraphs 1.9 and 1.10 above.
- 5.2 The Liquidator reiterates he has not audited any of the information received and relies on this information for the purposes of providing a summary position to creditors and customers of the Company.
- 5.3 At the date of appointment of the Liquidator the accounting records of the Company were at least nine months in arrears and the veracity of that information has not yet been verified. The Liquidator has concerns that the accounting records of the Company cannot be fully relied upon.
- 5.4 The Liquidator has maintained a schedule of receipts and disbursements related to the liquidation since appointment. This schedule is shown at Appendix 7.
- 5.5 The Liquidator has maintained a listing of accrued and unpaid expenses for the period October 2, 2019 to November 30, 2019. The listing is shown at Appendix 8.

### Analysis of Assets and Liabilities

#### Cash at bank

- 5.6 As noted above the Liquidator has identified and assumed control of Cash at bank totalling B\$278,288.

#### Accounts Receivable

- 5.7 The Accounts Receivable balance includes Commissions Receivable, Due from Clients, and Other receivables. As at September 30, 2019 the balance for Commissions Receivable was \$1,299,397. Commissions Receivable represents charges by the Company to their customers and clients in respect of services undertaken. The Company accrues these amounts as a book entry in the individual customer accounts and these are deducted monthly from funds invested by the customer.
- 5.8 The Liquidator anticipates adjustments to the commissions receivable balance due to the ongoing broker reconciliation exercise.

5 Review of Financial Position

- 5.9 The balance Due from Clients and Other receivables is approximately \$100,000. The Official Liquidator is in the process of reviewing the amounts making up this balance.

Prepayments and deposits

- 5.10 The balance of Prepayments and deposits as at October 2, 2019 provided by the Company is \$124,078. The Liquidator is conducting a review to determine whether the prepaid amounts that can be returned to Company.

Other Assets

- 5.11 The other assets identified by the Liquidator relate to office furniture, equipment, and computers. These assets were recorded in the Company's accounting records as having a balance of \$62,598 as at October 2, 2019. The Liquidator's team prepared an updated Fixed Asset register with cost and estimated liquidation values.
- 5.12 A Court application was made on October 28, 2019 and a Court order granted on the same date for the sale of the office furniture. The successful sale of the entire furniture and equipment inventory at the Company took place on October 30, 2019 and was at a sale price of \$15,460.

Transfers and payments to Related Entities

- 5.13 Based on interviews with the director and staff and an initial review of records obtained by the Liquidator, the Company paid substantial funds to and on behalf of parties directly associated with the Company. The Liquidator has begun the review of these transactions and will provide an update at the First Creditors and Customers meeting.

Liabilities

- 5.14 The Liabilities balance includes Commissions payable, Accrued expenses and Other liabilities. Based on a review of the Company records, the Company recorded \$1,015,037 in Commissions payable, Accrued expenses and Other liabilities. The Liquidator has identified approximately \$1M in Commissions payable and approximately \$200,000 in amounts due to trade creditors and a loan payable.
- 5.15 The Liquidator anticipates adjustments to Commissions payable and accrued expenses and other liabilities.



- 5.16 In correspondence dated November 22, 2019, the Official Liquidator requested that creditors submit a Proof of Debt form in respect of the amounts owing to them. This was requested early on to confirm the balances on record at the Company. As at the date of this report, the Liquidator has received completed Proof of Debt forms from only a few creditors.
- 5.17 We understand an RBC visa credit card and a Xaris Mastercard credit card were used for operating expenses of the Company. These cards have now been cancelled. The Official Liquidator will review charges to these credit cards over a defined period to determine the benefit to the Company.

#### **Estimated Net Realisable Value**

- 5.18 Based on the information available to the Official Liquidator as at the date of this report, there is insufficient information available to provide a meaningful Estimated Net Realisable Value of the assets of the Company.

#### **Preliminary Opinion of the Liquidator**

- 5.19 Based on initial investigations undertaken to date, it appears that the Company's assets were segregated from the assets of clients and customers. The assets of clients and customers were placed in segregated accounts in the Company's name. The Liquidator and his team have been updating the client accounting system and will undertake a confirmation exercise to ensure the account balances of clients and customers are up-to-date and all asset holdings accounted for.
- 5.20 Commissions receivable and commissions payable amounts are being reviewed by the Liquidator and his team. The Commissions receivable amount (includes custody and administration fees) is collectible and once determined will be presented to the Receiver and sanctioned by the Court for approval and payment. The Commissions payable amount is being reviewed and will be part of the claims adjudication process.
- 5.21 The Official Liquidator is currently determining the anticipated cash shortfall.
- 5.22 The Official Liquidator will review related party transfers in detail to determine whether these payments were appropriate given the knowledge that the Company would shortly be insolvent.
- 5.23 The Official Liquidator will continue reviewing the financial position and actions taken by the Company to determine whether there has been a breach of duty by the directors of the Company.

## 6 Assets Held by Custodians – Customer Funds

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- 6.1 At the date of appointment, the liquidator met three (3) categories of clients for whom the Company holds assets in custody. The three (3) categories of clients affected are those with investment solely in the Sub-Funds in Receivership (12); those with investment holdings independent of the Sub-Funds (44); and those with dual investment holdings (70).
- 6.2 The Company operated a number of accounts with custodians in a number of jurisdictions including The Bahamas, Antigua and Switzerland.
- 6.3 The Liquidator has written to fourteen (14) custodians. Eight (8) have confirmed account balances of which four (4) have a zero balance and four (4) have balances. The other six (6) custodians do not maintain balances based on the Company's records. A listing of the custodians is shown at Appendix 9.
- 6.4 The Liquidator has been provided with information which shows that four (4) Custodians maintained accounts on behalf of the Company as at the date of liquidation, and that the balance of these accounts as at September 30, 2019 was \$74,880,861.
- 6.5 The Liquidator has concerns regarding the accuracy of the Company's accounting records. Since the date of their appointment, the Liquidator's staff and those Company staff who were re-employed by the Liquidator have been carrying out a broker reconciliation to update the client accounting records of the Company. This exercise is ongoing as at the date of this report.
- 6.6 From a review of the Company's accounting records there appear to be a number of client accounts which hold a negative balance. The Official Liquidator and his team will be pursuing the negative balance account holders/debtors for the amounts owed to the Company.
- 6.7 On October 8, 2019, the Voluntary Liquidator wrote to all known custodians, who maintained accounts on behalf of the Company to notify them of the appointment of the Voluntary Liquidator, to request that no more activity take place on these accounts, and requesting information in relation to the assets held by the custodians, including:-
- (a) Balances of accounts in the name of the Company, including any cash and custodial accounts;
  - (b) Details on any security held for balances, including third party guarantees; and

(c) Any pending and executed trades as at the date of the appointment of the Liquidator.

6.8 In some instances, the Custodians were slow to respond, but the majority of Custodians have now provided the requested information to the Liquidator as detailed below.

The amount of funds held by Custodians as at September 30, 2019 as follows:

<b>Market Value of Securities (US\$)</b>	<b>Net Cash Balance (US\$)</b>	<b>Total Value (US\$)</b>
31,705,729	43,175,132	74,880,861

6.9 The Liquidator notes the discrepancies between the Custodians' records of the holdings in the Company's name and the Company's records and make the following comments in relation to their preliminary review with the Custodians: -

- a) Valuation differences exist between the records of the Company and records of the Custodians. The Liquidator has not yet taken steps to resolve these differences as at the date of this report.
- b) Securities at Swissquote are reflecting an overstated position on monthly statements due to an error in valuation calculation which occurred post transfers in April 2019. The Liquidator raised this issue with Swissquote and is currently awaiting revised statements.
- c) A number of the stocks held by Custodians are illiquid and may be difficult to sell.
- d) There would appear to be limited or little documentation of instructions given by or communication with customers. Customers of the company fall into the category of IBC's and Individuals some of whom would have appointed the Company as management advisor with power of attorney rights. At this time the Official Liquidator is unable to determine if the Company abused those rights or acted within the best interest of the client.
- e) Given the inflated NAVs the potential for preferential treatment of investors exists. Those that have redeemed their holdings early will have profited more than those who still have holdings in the Sub-Funds.
- f) The customer asset holdings are held in Omnibus accounts between four Custodians. The accounting for the holdings across the Custodian omnibus accounts is maintained within the company's ATRIUM-Finamic wealth management software. As previously stated, the system required updating as at September 30, 2019. The Liquidator's team has been updating the ATRIUM-Finamic system and conducting a broker reconciliation exercise. This exercise continues.

6 Assets held by Custodians – Customer Funds

- 6.10 The balance held in the Company's Custodian omnibus accounts for clients and customers as at September 30, 2019 and October 31, 2019 is as follows: -

Entity	Total as at Sep. 30, 2019 (US\$)	Total as at Oct. 31, 2019 (US\$)
<b>Swissquote</b>	34,296,729	34,296,729
<b>CredInvest</b>	25,228,811	25,228,811
<b>Deltec</b>	15,323,255	2,082,651
<b>NIB</b>	32,067	32,067
<b>Total</b>	<b>74,880,861</b>	<b>61,640,257</b>
<b>Balance related to Sub-Funds</b>	<b>67,446,130</b>	<b>55,312,967</b>

- 6.11 The Liquidator believes that further financial and legal analysis is required to determine the amounts owed to customers and the amounts owed by customers to the estate due to early redemptions.

## **7 Conclusion**

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- 7.1 Whilst significant work has been undertaken to date by the Liquidator, the liquidation is still at an early stage. The Official Liquidator's focus since his appointment has been identifying the precise causes of the Company's failure and the specific factors leading to the liquidation of the Company. This information is documented in the Background section of this report. The Liquidator has also worked on identifying and safeguarding the assets held by the Company, taking control of all Company records, and interviewing the Company's director and current and former staff.
- 7.2 The Official Liquidator believes that further financial and legal analysis is required to determine the financial position of the Company vis-à-vis the Sub-Funds, what improprieties (if any) occurred, what potential claims (if any) the Company has and should pursue, and the amounts held for or owed to customers. The Official Liquidator intends to recommend to the creditors and customers at the first meeting several strategies/road maps for conducting and concluding the liquidation.
- 7.3 In light of the further work which will be required, it is too early to predict the likely eventual return to customers and creditors although this should be clearer upon the completion of the proposed road map. The Official Liquidator will, of course, keep all customers and creditors informed of any significant developments in this regard and in relation to any and all applications to the Court, and all inquiries from any governmental bodies or other third parties, all reasonable steps will be taken to protect the confidentiality of all customer information under the Official Liquidator's control.

Dated December 16, 2019

Edmund Rahming

Intelisys

## 8 Appendix

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### 1 - Resolutions to appoint Voluntary Liquidator and for liquidation to be continued under the supervision of The Supreme Court of The Bahamas

**PACIFICO GLOBAL ADVISORS LTD.**  
**WRITTEN RESOLUTION OF THE SHAREHOLDERS OF THE COMPANY**

We, being all of the shareholders of Pacifico Global Advisors Ltd. ("the Company"), a Company incorporated and operating under the laws of the Commonwealth of The Bahamas do hereby waive all notice of time, place or purpose of a meeting and consent to, approve and adopt the following resolution pursuant to the Company's Articles of Association on the 2<sup>nd</sup> day of October A.D. 2019;

**IT IS RESOLVED THAT:**

- 1) That, in accordance with the Companies Act and the Articles the Company be voluntarily wound up and that Edmund L. Rahming of INTELISYS, 2 Caves Professional Center, Caves Village, West Bay Street & Blake Road, P.O. Box SP-64064, Nassau, Bahamas be appointed as Voluntary Liquidator with the power to act for the purpose of winding up the affairs of the Company.
- 2) That the Voluntary Liquidator's remuneration be calculated on a time cost basis and be paid from any assets available in the winding up of the estate in accordance with the Companies Winding Up Rules 2011 and in accordance with the engagement and indemnity letters dated October 2<sup>nd</sup> October, 2019.

**Dated the 2<sup>nd</sup> day of October A.D. 2019**

**Valora Investments Ltd.**  
**Member:**  
**By its authorized signatory**

**Member: Arturo Klein**

**PACIFICO GLOBAL ADVISORS LTD. (In Voluntary Liquidation)**  
**WRITTEN RESOLUTION OF THE SHAREHOLDERS OF THE COMPANY**

We, being all of the shareholders of Pacifico Global Advisors Ltd. (in Voluntary Liquidation) ("the Company"), a Company incorporated and operating under the laws of the Commonwealth of The Bahamas do hereby waive all notice of time, place or purpose of a meeting and consent to, approve and adopt the following resolutions pursuant to the Company's Articles of Association on this 22<sup>nd</sup> day of October A.D. 2019;

**IT IS RESOLVED THAT:**

- 1) The shareholders unanimously consent to the voluntary liquidation being put under the supervision of the Supreme Court of The Bahamas.
- 2) The shareholders unanimously consent to Edmund Rahming of INTELISYS, 2 Caves Professional Center, Caves Village, West Bay Street & Blake Road, P.O. Box SP-64064, Nassau, The Bahamas being appointed as Official Liquidator of the Company with the power to act as directed by the Supreme Court of The Bahamas.

**Dated the 22<sup>nd</sup> day of October A.D. 2019**



Member: Valora Investments Ltd.  
By its authorized signatory



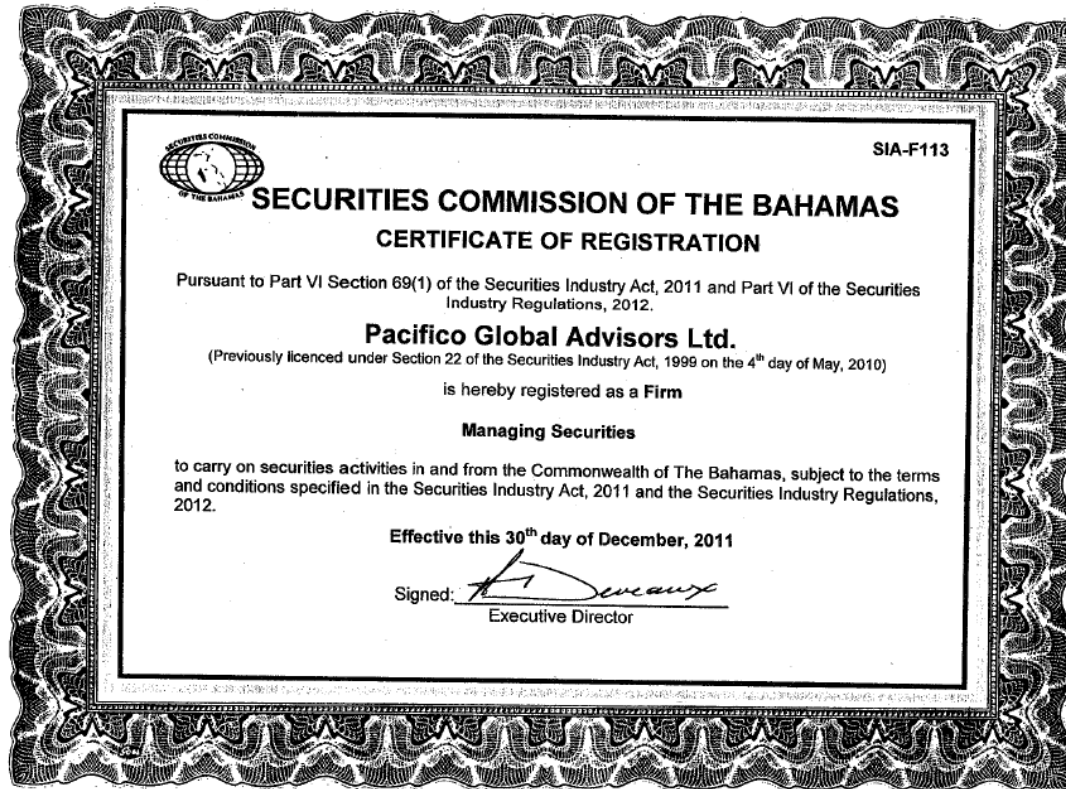
Member: Arturo Klein

2 – Certificate of Incorporation





3 – License Certificates









4 – Commission and Fee Schedule

## 8 Appendix

**PACIFICO GLOBAL ADVISORS FEE SCHEDULE OF BANKING SERVICES**

<b>Pricing and Services</b>	<b>Standard</b>	<b>All In</b>
<b><u>ACCOUNTS</u></b>		
<b>Account closing</b>	USD 2,500.00	USD 2,500.00
<p>*Accounts Closed within twelve months of being opened will be charged a closing fee of USD 3,000.00. In the event the client's account become inactive or dormant, the official fee schedule of PGA will continue to apply. In addition PGA will charge the client the cost of investigations for the special treatment and monitoring of inactive and dormant accounts.</p>		
<b><u>ACCOUNT RELATIONSHIP REQUIREMENTS</u></b>		
<p>Clients are expected to maintain a minimum of USD ???????? (or equivalent) in investments and or cash with PGA. Sufficient cash must be maintained on all accounts at all times to cover four quarters of Management and Custody fees.</p>		
<b><u>CUSTODY FEES</u></b>		
Custody fees	p.a	0.75%
minimum per annum per portfolio	USD 3,000.00	USD 4,500.00
<p>The Custody fees includes the account maintenance and custody services (charges for safekeeping, account statements, booking expenses, capital payments and coupon collections. It will be debited quarterly based on the total gross assets of the portfolio.</p>		
<b><u>TRANSACTION BASED FEES</u></b>		
<p>Third party Commission will be applied in addition to the Transaction Based fees. Duties and charges (such as stamp duty, stock exchange charges or charges (levied by a fund) are not included in the fees and will be charged separately without any surcharges.</p>		
<b><u>SECURITIES AND MONEY MARKET</u></b>		
Bonds	nin: USD 250	0.60%
Equities	nin: USD 300	0.80%
Options	nin: USD 250	100.00
MM Funds	nin: USD 250	0.30%
Bond Funds	nin: USD 250	0.60%
Structured Products	nin: USD 250	0.60%
Equity Funds	nin: USD 300	0.80%
Balanced funds	nin: USD 250	0.70%
Hedge Funds	nin: USD 600	1.00%
Fiduciary Deposits		0.20%
<b><u>FOREX</u></b>		
USD 0-10,000 on purchases and sales		1.50%
USD 10,000 - 50,000 on purchases and sales		0.75%
above		0.50%
<b><u>TRANSFERS</u></b>		
Securities transfer in	USD 100	USD 100
Securities transfer out	USD 200	USD 200
<b><u>PAYMENTS ORDERS</u></b>		
Internal Transfers	free	free
Up to 49'999	USD 100	USD 100
Up to 50'000 to 99'999	USD 150	USD 150
Up to 100'000 to 499'999	USD 200	USD 200
More than 500'000	USD 250	USD 250
<b><u>CONFIRMATIONS AND OTHER SERVICES</u></b>		
Bank reference letters	USD 250	USD 250
Audit confirmations/legal	USD 250	USD 250
	USD 250/hour	USD 250/hour
	(min fee USD	(min fee USD
Tax documentation	500.00)	500.00)
Couriers	USD 100	USD 100
Swift confirmations	USD 75	USD 75
Documentation preparation	USD 250/hour	USD 250/hour
<b><u>CONCEIRGE SERVICES</u></b>		
<p>A charge based on time spent will be required for all services offered at the request of the client</p>		
<b><u>Other Fees</u></b>		
<p>Cancellations, corrections, reimbursements of duplicated payments and queries regarding executed payment orders will be charged based on costs. Other fees charged by third party banks that are not covered by our expenses may be subsequently charged.</p>		
<p><b>PGA reserves the right to change its fees and services at any time without prior notice. Only the most important fees are given here.</b></p>		

Effective July 1, 2019

5 – Audited Financial Statements as at December 31, 2017 and Draft Unaudited Financial Schedule showing December 31, 2018 results

**PACIFICO GLOBAL ADVISORS LIMITED**

**Financial Statements  
For The Year Ended December 31, 2017  
And Independent Auditors' Report**

**PACIFICO GLOBAL ADVISORS LTD.**

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Statement of Profit And Loss And Other Comprehensive Income	4
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810 Caves Professional Centre • Caves Village, West Bay Street  
P.O. Box SP-641133 • Nassau, Bahamas  
Main: +1 (242) 327 0388 • Fax: +1 (242) 327 1319

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Pacifico Global Advisors Ltd:

### *Opinion*

We have audited the accompanying financial statements of Pacifico Global Advisors Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Financial Advisory & Consulting Services



*Auditors' Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also—

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Nassau, Bahamas  
May 15, 2018



# **PACIFICO GLOBAL ADVISORS LTD.**

## **STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 (Expressed in United States Dollars)**

	<b>2017</b>	<b>2016</b>
<b>ASSETS:</b>		
Cash and cash equivalents (Note 3)	\$ 642,596	\$ 403,784
Accounts receivable (Notes 4 and 9)	1,988,688	1,137,452
Prepaid expenses and deposits	54,650	26,089
Investments (Note 5)	159,332	153,337
Property, plant and equipment (Note 6)	82,272	69,965
<b>Total Assets</b>	<b>\$ 2,927,538</b>	<b>\$ 1,790,627</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Accrued expenses and other liabilities (Notes 7 and 9)	\$ 2,192,210	\$ 1,219,584
<b>Total Liabilities</b>	<b>2,192,210</b>	<b>1,219,584</b>
<b>EQUITY:</b>		
Share capital	25,000	25,000
Contributed surplus	495,100	495,100
Retained earnings (Notes 9 and 10)	215,228	50,943
<b>Total equity</b>	<b>735,328</b>	<b>571,043</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 2,927,538</b>	<b>\$ 1,790,627</b>

See accompanying notes to the financial statements.

These financial statements are approved by the Board of Directors on May 15, 2018.

  
Director

  
Director

**PACIFICO GLOBAL ADVISORS LTD.**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Expressed in United States Dollars)**

	<b>2017</b>	<b>2016</b>
<b>INCOME</b>		
Fee income (Notes 8 and 9)	\$ 8,993,752	\$ 7,123,623
Other income	207,450	126,000
Interest income	9,820	11,371
Unrealised gain on investments	<u>5,995</u>	<u>29,840</u>
Total income	<u>9,217,017</u>	<u>7,290,834</u>
<b>EXPENSES</b>		
Commissions (Note 9)	6,073,658	4,612,090
Managing Director's fees (Note 9)	1,032,077	996,593
Salaries and employee benefits (Note 9)	540,524	510,389
Professional and legal fees	376,329	329,943
Custodian fees	359,008	136,727
Travel and entertainment	91,336	59,034
Rent and utilities	80,231	63,224
Repairs and maintenance	69,378	51,744
License and permits	63,607	46,100
Bank interest and service charges	36,094	32,310
Foreign exchange loss	17,202	54,440
Insurance	25,707	23,941
Office supplies and equipment	22,144	29,208
Depreciation (Note 6)	15,437	13,963
Miscellaneous expenses	<u>-</u>	<u>73</u>
Total expenses	<u>8,802,732</u>	<u>6,959,779</u>
<b>NET AND TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 414,285</u></b>	<b><u>\$ 331,055</u></b>

See accompanying notes to the financial statements.

# **PACIFICO GLOBAL ADVISORS LTD.**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017 (Expressed in United States Dollars)**

	Number of Shares	Share Capital	Contributed Surplus	(Accumulated deficit)/ retained earnings	Total
Balance as at December 31, 2015	25,000	\$ 25,000	\$ 495,100	\$ (280,112)	\$ 239,988
Net and total comprehensive income	-	-	-	331,055	331,055
Balance as at December 31, 2016	25,000	25,000	495,100	50,943	\$ 571,043
Dividends declared and paid (Note 10)	-	-	-	(250,000)	\$ (250,000)
Net and total comprehensive income	-	-	-	414,285	414,285
Balance as at December 31, 2017	<u>25,000</u>	<u>\$ 25,000</u>	<u>\$ 495,100</u>	<u>\$ 215,228</u>	<u>\$ 735,328</u>

See accompanying notes to the financial statements.

# **PACIFICO GLOBAL ADVISORS LTD.**

## **STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 (Expressed in United States Dollars)**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net and total comprehensive income	\$ 414,285	\$ 331,055
Adjustments for items not effecting cash:		
Unrealised gain	(5,995)	(29,840)
Depreciation expense	15,437	13,963
Cash provided by operations before changes in operating assets and liabilities	423,727	315,178
<b>Changes in operating assets and liabilities</b>		
Increase in accounts receivable	(851,236)	(612,976)
Increase in accounts payable	972,626	478,724
(Increase)/decrease in prepaid expenses	(28,561)	31,587
<b>Net cash provided by operating activities</b>	<u>516,556</u>	<u>212,513</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(27,744)	(6,480)
<b>Net cash used in investing activity</b>	<u>(27,744)</u>	<u>(6,480)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Dividends paid	(250,000)	-
<b>Net cash used in financing activity</b>	<u>(250,000)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	238,812	206,033
<b>Cash and cash equivalents, beginning of year</b>	<u>403,784</u>	<u>197,751</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 642,596</b></u>	<u><b>\$ 403,784</b></u>

See accompanying notes to the financial statements.

## **PACIFICO GLOBAL ADVISORS LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (Expressed in United States Dollars)**

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#### **1. GENERAL**

Pacifico Global Advisors Ltd. (the "Company") was incorporated under the laws of The Commonwealth of The Bahamas on September 30, 2011. The principal business activity of the Company includes managing securities, dealing as agent or principal, arranging deals in securities and advising on securities. Effective September 11, 2015 the Company received its Broker dealer license.

The registered office of the Company is Lenox Paton Corporate Services, 3 Bayside Executive Park, West Bay Street, Nassau, N.P., Bahamas. The Company's principal place of business is RoyalStar House, John F. Kennedy Drive, Nassau, N.P., Bahamas with its postal address being SS-19371.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

*a) Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

*b) Basis of measurement*

These financial statements have been prepared under the historical cost basis.

*c) Foreign currency translation*

All amounts in the financial statements are expressed in United States dollars, the Company's functional and reporting currency. Foreign currency assets and liabilities have been translated into United States dollars at the rates of exchange ruling at year end.

Transactions denominated in foreign currencies have been translated into United States dollars using rates of exchange at the date of the transaction. All resulting exchange differences are recorded in net income in the statement of profit and loss and other comprehensive income. The basis for translation of Bahamian dollars into United States dollars is at par.

*d) Revenue Recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.



*e) Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts on assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

*f) Financial instruments - A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity of another enterprise.*

*(i) Classification*

Financial instruments include financial assets and financial liabilities. Financial assets that are classified as loans and receivables include cash and cash equivalents and accounts receivable. Financial liabilities that are not at fair value through profit or loss include accrued expenses and other liabilities.

*(ii) Recognition*

The Company recognizes financial instruments on the day they become a party to the contractual provisions of the instruments.

*(iii) Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial assets classified as fair value through profit or loss are carried at fair value, with changes in fair value recognized in net income in the statement of profit and loss and other comprehensive income.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

*(iv) Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or when they neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when their contractual obligations are discharged or cancelled, or expired.

(v) *Disclosures pertaining to fair values for financial instruments*

The Company measures fair values using the following fair value hierarchy:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The fair value of the financial instruments within this category have been estimated using the present value method. The Company has no financial instruments categorized at this level.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The Company has no financial instruments categorized at this level.

- g) *Cash and cash equivalents* - Cash and cash equivalents are carried at cost in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of cash on hand, bank current account and fixed deposit with original maturity of three (3) months or less.

- h) *Accounts receivable* - Accounts receivable are stated at cost, less an allowance for bad debts. Bad debts are written off when identified.

- i) *Investments* - Investments are carried at fair value in the statement of financial position. Interest income, changes in market value or gains and losses on sales are recognized in the statement of profit and loss and other comprehensive income.

- j) *Property, plant and equipment* - Property plant and equipment are stated at cost less accumulated depreciation and, if appropriate, impairment losses. Expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognised in the statement of profit and loss and other comprehensive income as an expense as incurred. Depreciation is charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	10 years
Computer system	3 years

Any realized gains or losses on disposals of property, plant and equipment are taken to the statement of profit or loss and other comprehensive income in the year in which they occur.

- k) *Impairment of Financial Assets* - An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of profit and loss and other comprehensive income. No such allowances have been recorded at December 31, 2017.

- l) *Assets under management* - Fiduciary accounts and assets of customers are not included in these financial statements as they are not assets of the Company.

*m) Related Party* - A party is related to the Company if directly, or indirectly, through one or more intermediaries, the party:

- i. Controls, is controlled by, or is under common control with, the Company;
- ii. Has an interest in the Company that gives it significant influence over the Company;
- iii. Is a member of the key management personnel, including directors and officers of the Company and shareholders;
- iv. Is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entities resides with, directly or indirectly, any individual referred to above.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2017	2016
Current accounts	\$ 632,548	\$ 393,742
Term deposit	10,048	10,042
	<u>\$ 642,596</u>	<u>\$ 403,784</u>

Included in cash and cash equivalents is \$72,548 (2016: \$10,042) which is pledged as security for corporate credit cards.

### 4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2017	2016
Commissions and fees receivable	\$ 1,923,454	\$ 1,110,545
Due from clients	28,141	6,636
Other	37,093	20,271
	<u>\$ 1,988,688</u>	<u>\$ 1,137,452</u>

### 5. INVESTMENTS

Investments consist of the following:

	2017		2016	
	Cost	Market	Cost	Market
Anglogold Holdings PLC 5.125% Due August 1, 2022	\$ 49,600	\$ 52,250	\$ 49,600	\$ 50,012
T-Mobile USA Inc. 6.375% Due March 1, 2025	49,925	53,256	49,925	53,250
Transocean Inc. 6.375% Due December 15, 2021	45,805	53,826	45,805	50,075
	<u>\$ 145,330</u>	<u>\$ 159,332</u>	<u>\$ 145,330</u>	<u>\$ 153,337</u>



## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<b>Furniture &amp; Equipment</b>	<b>Computer Systems</b>	<b>Total</b>
<b>Cost</b>			
As of 31 December 2015	\$ 71,222	\$ 19,201	\$ 90,423
Additions	<u>6,480</u>	<u>-</u>	<u>6,480</u>
As of 31 December 2016	77,702	19,201	96,903
Additions	<u>25,283</u>	<u>2,461</u>	<u>27,744</u>
As of 31 December 2017	<u>\$ 102,985</u>	<u>\$ 21,662</u>	<u>\$ 124,647</u>
<b>Accumulated Depreciation</b>			
As of 31 December 2015	\$ 6,574	\$ 6,401	\$ 12,975
Depreciation expense for the year	<u>7,563</u>	<u>6,400</u>	<u>13,963</u>
As of 31 December 2016	14,137	12,801	26,938
Depreciation expense for the year	<u>8,626</u>	<u>6,811</u>	<u>15,437</u>
As of 31 December 2017	<u>\$ 22,763</u>	<u>\$ 19,612</u>	<u>\$ 42,375</u>
<b>Net book value:</b>			
As of 31 December 2016	<u>\$ 63,565</u>	<u>\$ 6,400</u>	<u>\$ 69,965</u>
As of 31 December 2017	<u>\$ 80,222</u>	<u>\$ 2,050</u>	<u>\$ 82,272</u>

## 7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	<b>2017</b>	<b>2016</b>
Commissions payable	\$ 1,890,244	\$ 1,123,107
Other	<u>301,966</u>	<u>96,477</u>
	<u>\$ 2,192,210</u>	<u>\$ 1,219,584</u>

## 8. FEE INCOME

Fee income consists of the following:

	<b>2017</b>	<b>2016</b>
Management Fees - Funds	\$ 4,467,634	\$ 1,034,363
Retrocessions	1,321,955	2,009,838
Management Fees - Clients	1,271,619	3,158,929
Brokerage	1,218,785	553,851
Custody	<u>713,759</u>	<u>366,642</u>
	<u>\$ 8,993,752</u>	<u>\$ 7,123,623</u>

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

The Company had the following related party balances and transactions:

	2017	2016
<b>Balances:</b>		
Accounts receivable	\$ 1,327,873	\$ 143,271
Accrued expenses and other liabilities	\$ 1,069,589	\$ 814,418
<b>Transactions:</b>		
Retained Earnings - Dividends	\$ 250,000	\$ -
Fee Income	\$ 4,467,634	\$ 1,034,363
Commissions	\$ 3,355,986	\$ 2,853,379
Managing Director's fees and expenses	\$ 1,032,077	\$ 996,593
Key management compensation	\$ 320,574	\$ 270,000

## 10. DIVIDEND

During the year ended December 31, 2017, the Board of Directors of the Company declared and paid a dividend of \$250,000 (2016: \$NIL).

## 11. ASSETS UNDER MANAGEMENT

Assets managed by the Company in a fiduciary capacity as of December 31, 2017 totalled \$314,074,348 (2016: \$333,715,381).

## 12. FINANCIAL RISK MANAGEMENT

The Company has exposure to various types of risks from their use of financial instruments. The most important types of financial risk to which the Company is exposed are credit risk, liquidity risk and currency risk.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Company are discussed below.

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's exposure to credit risk is primarily concentrated with its cash and cash equivalents, commissions receivable and investment balances. With respect to its cash and cash equivalents and commission receivable balances the Company mitigates this risk as the balances are held with or due from credit worthy financial institutions.

### Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations arising from their financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that the maturity of its financial assets coincide with the maturities of its financial liabilities. Specifically, the settlement of its commissions payable is linked and conditional on receipt of its associated fees.

This risk is not considered to be significant, as the Company maintains adequate cash and commission receivable balances with short term maturities to meet commissions payable and other obligations as they arise.

All of the Company's liabilities at December 31, 2017 are payable within one year.

#### Currency Risk

The Company is exposed to currency risk on balances and transactions that are denominated in foreign currencies. The Company manages this risk by utilizing funds received in a foreign currency to settle commission and expenses in that currency. The objective of currency risk management is to manage and control foreign currency risk exposures within acceptable parameters, while optimizing the return on risk.

### **13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Due to the short-term nature of the majority of the Companies financial assets and liabilities, their fair values are estimated to approximate their carrying values at the reporting date.

### **14. CAPITAL RISK MANAGEMENT**

The Company's policy is to maintain a strong capital base so as to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

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Draft Financial Schedule showing December 31, 2018 results

BALANCE SHEET					
	Dec-18	Mar-19	Jun-19	Jul-19	Aug-19
<b>ASSETS</b>					
Cash and cash equivalents	670,962	654,529	568,566	470,921	244,073
Accounts receivable	958,050	1,262,700	1,390,985	1,295,207	1,397,850
Prepaid expenses and deposits	128,981	132,659	127,511	125,794	124,078
Property, plant and equipment	70,467	67,516	64,563	63,581	62,598
<b>Total Assets</b>	<b>1,828,460</b>	<b>2,117,404</b>	<b>2,151,626</b>	<b>1,955,503</b>	<b>1,828,199</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Accrued expenses and other liabilities	885,409	1,039,049	1,052,607	1,006,688	1,015,037
<b>Total Liabilities</b>	<b>885,409</b>	<b>1,039,049</b>	<b>1,052,607</b>	<b>1,006,688</b>	<b>1,015,037</b>
<b>EQUITY</b>					
Share capital	25,000	25,000	25,000	25,000	25,000
Contributed surplus	545,100	545,100	545,100	545,100	545,100
Retained earnings	372,951	508,256	528,919	378,715	243,062
<b>Total Equity</b>	<b>943,051</b>	<b>1,078,356</b>	<b>1,099,019</b>	<b>948,815</b>	<b>813,162</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>1,828,460</b>	<b>2,117,404</b>	<b>2,151,626</b>	<b>1,955,503</b>	<b>1,828,199</b>

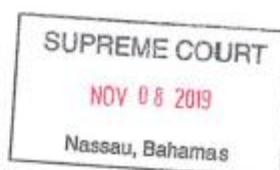


# INCOME STATEMENT

Year-to-date	Dec-18 12 months	Mar-19 Q1 2019	Jun-19 Q2 2019	Jul-19 (7 months)	Aug-19 (8 months)
<b>INCOME</b>					
Fee income	5,398,690	1,154,053	1,911,715	2,004,056	2,105,351
Other income	232,418	67,000	67,000	67,000	67,000
Interest income	2,705	-	13,908	13,908	13,908
Unrealized gain on investments	-	-	-	-	-
<b>Total income</b>	<b>5,633,813</b>	<b>1,221,053</b>	<b>1,992,623</b>	<b>2,084,964</b>	<b>2,186,259</b>
<b>EXPENSES</b>					
Commissions	1,272,932	225,263	217,389	221,837	221,837
Custodian fees	198,070	10,260	15,535	15,535	15,535
Managing Director's fees	1,867,503	302,029	603,110	704,102	899,720
Salaries and employee benefits	356,787	114,440	215,346	247,263	239,803
Professional and legal fees	256,509	31,158	33,688	38,213	87,633
Other Operating Costs	1,524,290	402,597	751,585	852,249	851,619
<b>Total expenses</b>	<b>5,476,090</b>	<b>1,085,747</b>	<b>1,836,653</b>	<b>2,079,198</b>	<b>2,316,147</b>
<b>NET INCOME / (LOSS)</b>	<b>157,723</b>	<b>135,306</b>	<b>155,970</b>	<b>5,766</b>	<b>(129,888)</b>

6 – Supervision Order

IN THE SUPREME COURT OF THE BAHAMAS  
COMMERCIAL DIVISION



CAUSE NO. COM/bnk/00077 OF 2019

IN THE MATTER OF THE COMPANIES ACT, 1992, CH. 308

AND IN THE MATTER OF PACIFICO GLOBAL ADVISORS LTD.

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**SUPERVISION ORDER**

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**BEFORE** the Honourable Mr. Justice Ian Winder, Judge of the Supreme Court,  
in Chambers.

**UPON HEARING** Mrs. Simone Morgan-Gomez, Mrs. Courtney Pearce-Hanna and Ms. Philisea Bethel Counsel for Mr. Edmund Rahming of INTELISYS, 2 Caves Professional Center, Caves Village, West Bay Street & Blake Road, Nassau, The Bahamas ("**Voluntary Liquidator**") upon his petition for an order that the liquidation of Pacifico Global Advisors Ltd. ("**the Company**") continue under the supervision of the Court and Messrs. Gawaine Ward and Gladstone Brown of the Securities Commission of The Bahamas.

**AND UPON READING** the following documents: Winding Up Petition dated 23<sup>rd</sup> October 2019 and filed herein on 24<sup>th</sup> October 2019; Summons for Directions dated 23<sup>rd</sup> October 2019 and filed herein on 4<sup>th</sup> October 2019; First Affidavit of Edmund Rahming: in Support of Winding Up Petition sworn 23<sup>rd</sup> October 2019 and filed herein on 24<sup>th</sup> October 2019; Second Affidavit of Edmund Rahming: Regarding Acceptance of

Appointment as Official Liquidator sworn 23<sup>rd</sup> October 2019 and filed herein on 24<sup>th</sup> October 2019 and Certificate of Urgency dated 24<sup>th</sup> October 2019 and filed herein on 25<sup>th</sup> October 2019.

**AND UPON THE COURT BEING SATISFIED** that the Voluntary Liquidator is a qualified insolvency practitioner.

**IT IS HEREBY ORDERED THAT:**

1. The liquidation of the Company be continued under the supervision of the Court.
2. The commencement date of the liquidation herein is 2<sup>nd</sup> October 2019.
3. Mr. Edmund Rahming, Chartered Accountant and Managing Director in the accountancy and asset recovery services company of Intelisys Ltd., situate at 2 Caves Professional Center, Caves Village, West Bay Street & Blake Road, Nassau, The Bahamas be appointed as the Official Liquidator of the Company.
4. The company INTELISYS of 2 Caves Professional Center, Caves Village, West Bay Street & Blake Road, Nassau, The Bahamas be appointed to provide back office support services to the Company.
5. The law firm of Callenders & Co. of No.1 Millars Court, Nassau, The Bahamas be appointed to provide which will provide general counsel legal services.
6. All costs incurred by Mr. Rahming and his advisors to date shall be costs in the liquidation.

7. The Official Liquidator of the Company has liberty to apply.

DATED the 28<sup>th</sup> day of October, A.D., 2019.

FILED the 8<sup>th</sup> day of November, A.D., 2019.

**BY ORDER OF THE COURT**

**REGISTRAR**

This Order was filed by CALLENDERS & CO., of No. 1 Millars Court, Nassau, N.P.  
Attorneys for the Official Liquidator.



IN THE SUPREME COURT OF THE  
BAHAMAS

COMMERCIAL DIVISION

IN THE MATTER OF THE  
COMPANIES ACT, 1992, CH. 308

AND IN THE MATTER OF PACIFICO  
GLOBAL ADVISORS LTD.

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**SUPERVISION ORDER**

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2019

COM/bnk/00077

  
**Calenders & Co.**

Chambers  
One Millars Court  
Nassau, N.P., The Bahamas

**Attorneys for the Official Liquidator**

*SAM-G/PB/25078.0001*

7 – Receipts & Disbursements Schedule

**PACIFICO GLOBAL ADVISORS LTD (IN OFFICIAL LIQUIDATION)**  
**STATEMENT OF LIQUIDATOR'S RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD 2 OCTOBER 2019 THRU 30 NOVEMBER 2019**  
**Expressed in Bahamian Dollars (BSD)**

<b>OPENING CASH BALANCE - 02/10/2019</b>	<b>275,085</b>
<b>RECEIPTS</b>	
Collection of Receivables	27,201
Proceeds from sale of Assets	15,460
Deposit/Taxes Refund	13,526
Miscellaneous receipt - under investigation	6,600
Internal Balance Transfer	-
Commission Income	-
<b>TOTAL RECEIPTS</b>	<b>62,786</b>
<b>DISBURSEMENTS</b>	
Wages	50,373
IT Costs	32,881
Liquidator's Out of Pocket	26,404
Relocation/Storage Costs	1,691
Utilities - Sublet Unit	912
Bank Charges/Interest	555
Advertisement	504
Statutory/Regulatory Fees	480
Utilities - Rental Unit	350
Value Added Tax	3
Legal Expenses	-
<b>TOTAL DISBURSEMENTS</b>	<b>114,154</b>
<b>ENDING BALANCE - 30/11/2019</b>	<b>223,717</b>

<b>AVAILABLE CASH BALANCE - 30/11/2019</b>	<b>223,717</b>
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8 – Accrued and Unpaid Expenses October 2, 2019 to November 30, 2019

**PACIFICO GLOBAL ADVISORS LTD.  
OFFICIAL LIQUIDATOR'S ESTIMATE OF ACCRUED & UNPAID LIABILITIES  
OCTOBER 2, 2019 THRU NOVEMBER 30, 2019**

<b>VENDOR/SERVICES</b>	<b>BSD</b>
Micronet Computers - October Leased costs	1,337
Callendars - legal services	
Intelisys Ltd - liquidation fees and costs	310,502
Southworth Consultants - IT services	2,072
<b>TOTAL ACCRUED AND UNPAID ESTIMATED LIABILITIES</b>	<b>\$313,911</b>

9 – Listing of custodians

**PACIFICO GLOBAL ADVISORS LTD (in OFFICIAL LIQUIDATION)  
FIDUCIARY & COMMERCIAL INSTITUTIONS OF RECORD  
CUSTODIAL & OPERATIONAL HOLDINGS**

ITEM	FIDUCIARY	STATUS (as at reporting date)
1.	Ansbacher Bank (Bahamas)	Balance Maintained
2.	Banca Credinvest	Balance Maintained
3.	Banca Del Sempione	Zero Balance
4.	CBH Bahamas Ltd.	No response, however no balance on company records
5.	Deltec Bank & Trust (Bahamas)	Balance Maintained
6.	Finamic	Balance Maintained
7.	Gonet Bank & Trust Limited (Bahamas)	No response, however no balance on company records
8.	Interactive Brokers LLC	No response, however company records indicate balance
9.	North International Bank (Antigua)	No response, however company records indicate balance
10.	Private Investment Bank (Bahamas)	Zero Balance
11.	Royal Bank of Canada (Bahamas)	Balance Maintained
12.	Swissquote	Balance Maintained
13.	Vauban International Bank	Zero Balance
14.	Xaris Inc	No response, however no balance on company records