

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-039188-103
ESTATE NO.: 41-342548

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF:

Dover Financial Corporation

a body politic and corporate, incorporated according to laws of Turks and Caicos Islands and having its Canadian place of business at:

555 Chabanel Street West
Suite 1531
Montreal, Quebec H2N 2L1

Bankrupt

Trustee's Report to the First Meeting of Creditors

On June 23, 2010, a Motion for the Appointment of an Interim Receiver ("Motion") was filed against Dover Financial Corporation ("Dover" or "Company"), pending the hearing on a concurrent filing of a Petition for Receiving Order ("Petition") to place Dover into bankruptcy in accordance with the *Bankruptcy and Insolvency Act of Canada* ("BIA"). Subsequently, on June 25, 2010 the Motion was granted by the Court and RSM Richter Inc. ("Richter" or "Trustee") was appointed Interim Receiver with amongst others, the following powers and authority:

- To take possession and control of all computers, books and records and bank accounts and money of Dover;
- To control Dover's receipts and disbursements, without however, interfering with the business.

Accordingly, on June 25, 2010, we formally took possession of the business premises of the Company located at 555 Chabanel. We understand that notwithstanding the incorporation in Turks and Caicos, there are no activities, no assets, and no records, located there. In respect of the Montreal premises, we noted that there were no ongoing operations of Dover nor were any Dover employees present and we immediately proceeded to the following:

- Secure all available books and records of Dover;
- Take pictures and a video of the premises of the Company;
- Notify the financial institution and other entities that may have had dealings with Dover.

(français – au verso)

On July 12, 2010, the Petition was heard before the Court and the Bankruptcy of Dover was granted. RSM Richter Inc. was named Trustee to the Bankrupt Estate.

The purpose of this report is to inform all interested parties about our preliminary administration and findings.

The information contained in this Report has been prepared from the available records located at Dover's premises. These books and records have not been audited nor verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, completeness, exactness or the reliability of the information contained therein nor the present Report. In addition, **it should be noted that many of the books and records were missing at the time of our taking of possession.**

I. CORPORATE STRUCTURE AND BACKGROUND

Dover is a Turks and Caicos Islands Corporation which was incorporated on June 19th, 1995. The following are the directors and officers of the Company:

Paul Dempsey – President/Director, Turks and Caicos

Perry Newman – Secretary, Montreal

Subsequently on October 7th, 1997 the corporate records indicated that Morris Feldman was authorized to act for and behalf of the Company in the event of the incapacity of Perry Newman.

The Company operated a business as “foreign currency exchange analyst and broker” in the City of Montreal, Quebec.

II. FINANCIAL INFORMATION

We have been unable to locate the books and records or any bank statements of Dover at the Company's Montreal premises, other than some limited Visa credit card statements and utilities invoices (i.e. Hydro Quebec, Bell Canada, Videotron, etc). In our course of review, on June 28, 2010 we contacted the Scotia Bank (“Bank”) and were provided with only bank statements of the two bank accounts of the Company (accounts # 50021 0035 14 and 50021 00906 11 (U.S. account)) for the period January 1, 2005 to June 15, 2010. Furthermore, on July 16, 2010, we requested that the Bank provide us with the following:

- Copy of any bank statements of Dover from its incorporation on July 19, 1995 to December 31, 2004;
- Copy of any and all documents (front and back of cheques, deposit slips, debit and credit advices and others) supporting the Company's transactions;
- Copy of the forms and resolutions of the Company which were used to open these bank accounts.

At this point, we have identified and have recovered the following assets of the Company:

- \$121,785 CAD of cash held in Dover's bank accounts;
- 1 computer;
- 1 desk, 1 chair and shelving of nominal value.

III. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

A. Books and records

Since the Interim Receiver date, the Trustee has taken the following security and protective measures:

- Secure all the currently available books and records of Dover;
- Secure the computer and back-up of computerized data;
- Opening of a trust bank account;
- Closing or obtaining control over all the bank accounts of the Debtor;
- Redirection of mail;
- Prepared an inventory of Dover's assets.

We have been unable, at this time, to locate or secure any information in the jurisdiction of Turks and Caicos.

B. Creditors claim process

We have identified 12 parties that have been dealt with Dover at one point in time since January 1, 2005 and accordingly may be creditors. As such they were included on our mailing list advising them of the bankruptcy. Moreover, notwithstanding the media attention to this bankruptcy, we have placed a "formal" Notice of the bankruptcy in the "local" newspapers, as required by the BIA.

At the time of writing this report, we had not yet received sufficient Proofs of Claim to determine the total amounts owing by Dover.

It should be noted that the Trustee will not, at this time, analyse the Proofs of Claim as this procedure will only be done if a dividend is forthcoming. This process will be useless unless funds are recovered pursuant to our administration.

C. Preliminary findings

Given the lack of information and the absence of accounting records as well as the time span over which this situation has taken place, there may still remain significant work to be performed in order to complete our administration. This will be determined after further discussion with the Estate's legal counsel, Messrs Stein & Stein, and the Inspectors (Committee of Creditors) appointed at the First Meeting of Creditors. However, as at the date of writing this report, our preliminary observations are as follows:

- Mr. Perry Newman, principal of Dover, advised us that Dover did not do any trading nor investments on behalf of the investors (creditors) since at least 1996;
- Newman advised us that he had used Dover's funds, sourced from its clients, to reimburse (in whole or in part) various clients and to return fictitious profits to other investors;
- Mr. Newman advised us that he had used Dover's funds from its clients for his own personal living expenses.

In addition to the above, we have noted numerous transactions that may require further investigative work in order to determine their business basis. We are awaiting copies of documents from the Scotia Bank.

IV. REVIEWABLE TRANSACTIONS

The Trustee is yet to perform a review of the payments made to creditors, other stakeholders, and to related parties in the relevant period preceding the Bankruptcy, as defined by the law. We will report the results of our review to the Inspectors of the Estate once it is completed.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, based on the information currently available and the apparent "lack of assets located", it is unlikely a dividend will be available to the creditors, after Legal and Trustee's fees and costs. The creditors who have filed their Proofs of Claims with the Trustee will be advised in due course once our investigation completed, of the details of the administration of the Estate and the amount of dividend, if any, which could be available for distribution,.

VI. POLICE INVESTIGATION AND BANKRUPTCY OF MR. PETER NEWMAN

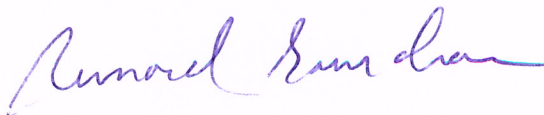
Mr. Peter Newman has been declared personally bankrupt on July 12, 2010, as a result of a Petition in Bankruptcy taken against him. It would appear that his corporate and personal dealings are intermingled. The First Meeting of Creditors of Mr. Newman immediately follows that of Dover.

A criminal complaint has been filed with the Montreal Police by a creditor alleging that fraud has been committed by Dover / Mr. Peter Newman. We have given to the Police, access to the limited available information. We will continue to cooperate with the Police in this matter.

Respectfully submitted.

Dated at Montréal, Province of Quebec, this 30th day of July, 2010.

RSM Richter Inc.
Trustee



Bernard Gourdeau, CA, CIRP, CA·IFA
Administrator of the Estate