

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation: Finding No. 1 (cont'd)

Point to Note

- The transactions identified do not specify the reason payments or loans were made or their intended purpose. A posting to a general ledger without any further description as to purpose showed lack of due care. Further, none of these transactions had any supporting documentation attached.

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation

Finding:

No. 2 – Financial Anomalies

BDO reviewed the cancelled checks submitted and traced them back to the QuickBooks accounting system. It was noted that checks processed by FCIB were made payable to AOG Maintenance, Aviation Oversight, Anton Forde and Chantel Miller however, the entries made in the QuickBooks system indicated a payee that was different from the payee on the actual checks. Further, the dates recorded in the accounting system did not agree with the period dates in which some of the checks were written and subsequently processed.

Table showing actual check payable to **AOG Maintenance** when QuickBooks system has check recorded as Aviation Oversight
Total check = \$80,000

Date	Check#	Amount	Description/ Memo	Date Cleared FCIB Bank	Date in QuickBooks	Payee in QuickBooks	QuickBooks Account/ General Ledger
10-Oct-13	1533	\$ 80,000.00	None	10-Oct-13	10-Oct-13	Aviation Oversight	Loan to AOG Maintenance G/L

Table showing actual checks payable to **Aviation Oversight** when QuickBooks system has checks recorded as AOG Maintenance & Sky Bahamas
Total checks = \$280,000

Date	Check#	Amount	Description/ Memo	Date Cleared FCIB Bank	Date in QuickBooks	Payee in QuickBooks	QuickBooks Account/ General Ledger
16-Dec-14	1655	\$ 200,000.00		16-Dec-14	12-Dec-13	AOG Maintenance	Sky Bahamas G/L
19-Jan-15	1664	\$ 50,000.00		19-Jan-15	19-Jan-15	Sky Bahamas	Sky Bahamas G/L
24-Oct-16	1906	\$ 30,000.00		24-Oct-16	24-Oct-16	Sky Bahamas	Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation: Finding No. 2 (cont'd)

Table showing actual checks payable to Anton Forde when QuickBooks system has the checks recorded as various payees listed below.

Total checks = \$53,125

Date	Check#	Amount	Description/ Memo	Date Cleared FCIB Bank	Date in QuickBooks	Payee in QuickBooks	QuickBooks Account/ General Ledger
26-Nov-13	1548	\$ 4,875.00		3-Dec-13	3-Dec-13	ABC Construction	Hangar Expenses G/L
23-Feb-15	1676	\$ 3,000.00		24-Feb-15	23-Feb-13	Grand Bahama Port Authority Ltd	Annual License Fee G/L
14-Jun-15	1729	\$ 7,800.00	Company Loan Payable in July 2015	8-Jun-15	8-Jun-12	McKinney Bancroft & Hughes	Legal & Accounting G/L
12-Jun-15	1731	\$ 7,500.00	Company Loan	16-Jun-15	16-Jun-13	McKinney Bancroft & Hughes	Legal & Accounting G/L
13-Jul-15	1748	\$ 5,500.00	Vacation Pay	15-Jul-15	13-Jul-13	McKinney Bancroft & Hughes	Legal & Accounting G/L
8-Aug-15	1752	\$ 4,400.00		7-Aug-15	3-Aug-12	McIntosh & Co	Legal & Accounting G/L
10-Dec-15	1787	\$ 4,800.00		15-Dec-15	10-Dec-12	McKinney Bancroft & Hughes	Legal & Accounting G/L
14-Mar-16	1832	\$ 4,200.00		17-Mar-16	15-Mar-13	McKinney Bancroft & Hughes	Legal & Accounting G/L
31-Mar-16	1841	\$ 3,900.00		4-Apr-16	31-Mar-14	McKinney Bancroft & Hughes	Legal & Accounting G/L
6-Jun-16	1864	\$ 3,650.00		9-Jun-16	2-Jun-13	McKinney Bancroft & Hughes	Legal & Accounting G/L
27-Jun-16	1867	\$ 3,500.00		28-Jun-16	28-Jun-13	McKinney Bancroft & Hughes	Legal & Accounting G/L

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation: Finding No. 2 (cont'd)

Table showing actual checks payable to Chantel Miller when QuickBooks system has checks recorded as various payees listed below.

Total checks = \$13,025

Date	Check#	Amount	Description/ Memo	Date Cleared FCIB Bank	Date in QuickBooks	Payee in QuickBooks	QuickBooks Account/ General Ledger
28-Jan-11	1195	\$1,100.00		28-Jan-11	28-Jan-11	F. Kaiser	Oceanview Unit 701: Miscellaneous G/L
2-Feb-15	1670	\$1,000.00		2-Feb-15	2-Feb-15	F. Kaiser	Oceanview Unit 701: Miscellaneous G/L
11-Mar-15	1687	\$4,000.00		11-Mar-15	13-Mar-13	Chantel Miller	Legal & Accounting G/L
16-Apr-15	1705	\$ 300.00	202 Cable	20-Apr-15	16-Apr-15	Cable Bahamas	Oceanview Unit 202: Cable Bahamas G/L
29-May-15	1728	\$ 110.00	Debris Removal - Airport	1-Jun-15	29-May-15	Sanitation Services	Landscaping G/L
17-Jun-15	1737	\$ 200.00	Removal of Hanger Debris	19-Jun-15	17-Jun-15	Sanitation Services	Landscaping G/L
17-Jun-15	1738	\$ 15.00	Vat on Debris Removal	19-Jun-15	17-Jun-15	Sanitation Services	Vat G/L
5-Apr-16	1842	\$6,300.00		6-Apr-16	5-Apr-13	McKinney Bancroft & Hughes	Legal & Accounting G/L

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation: Finding No. 2 (cont'd)

Check# 1729 in the amount of \$7,800 (below is a screen shot of the QuickBooks entry followed by the cancelled check. Note the payee name and date. There were no duplicate checks during this period or in the check sequence used).

The screenshot shows the QuickBooks 'Enter Check' window. The 'Check Number' is 1729, the 'Date' is 06/09/2012, and the 'Amount' is \$7,800.00. The 'Pay to the Order of' field is filled with 'McGinney, Bancroft & Hughes'. The 'Address' field also contains 'McGinney, Bancroft & Hughes'. The 'Expenses' section shows a total of \$7,800.00, with a breakdown of 'General & Adm.' for \$7,800.00 and 'Aviation Assets & AOG Maintenance' for \$0.00. The 'Ending Balance' is \$876,631.90.

Page 1 of 1

The image shows a physical check from Alpha Aviation Limited. The check number is 00001729. The amount is \$7,800.00. The date is 06/09/2012. The payee is McGinney, Bancroft & Hughes. The check is marked as 'VOID' and has a 'VOID' stamp. The MICR line at the bottom reads: *001729* 007643-0101 0001015425*.

Forensic Scope: Issue 2 (cont'd)

Alpha Aviation: Finding No. 2 (cont'd)

Points to Note

- None of Alpha Aviation's transactions had supporting documentation.
- Payments in the combined amount of \$426,150 were noted where the payee on physical checks were not the same as the payee recorded in the QuickBooks system.
- Check# 1248 dated May 20th, 2011 made payable to Kevin Roberts in the amount of \$8,400 was processed and cleared FCIB on May 23rd, 2011. This transaction however is not noted in the QuickBooks system. This payment was not recorded. The QuickBooks system has check# 1248 listed as a missing check. Further, the payment has no supporting documentation.

Forensic Scope: Issue 2 (cont'd)**Advanced Aviation****Finding:****Insufficient Supporting Documentation**

A total of 231 wire transactions were processed for Advanced Aviation. BDO received no supporting documentation from Advanced Aviation's current management for 154 of the transactions. The total value of transactions without supporting documentation attached was **\$11,281,755.17**. The period of the wires dated from March 27th, 2008 to May 5th, 2017. The total wires without supporting documentation represented 66% of the overall wire amounts. All of the payments were posted to the "Notes Receivable-Sky Bahamas" general ledger. Please see the below payee summary.

Table highlighting payee wire transactions without supporting documentation

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
1 Vision Aviation International	7	\$ 1,222,043.00	\$ 1,047,043.00	\$ 175,000.00	Notes Receivable-Sky Bahamas G/L
61 November Echo LLC International	2	\$ 495,000.00	\$ 495,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
Abagnale Holdings, Corp Pan Am Inter. Flight	5	\$ 129,135.50	\$ 86,135.50	\$ 43,000.00	Notes Receivable-Sky Bahamas G/L
Aero Specialties Inc	2	\$ 49,985.00	\$ -	\$ 49,985.00	Notes Receivable-Sky Bahamas G/L
Aerospace Component Sales Inc.	22	\$ 2,053,301.19	\$ 1,907,000.00	\$ 146,301.19	Notes Receivable-Sky Bahamas G/L
Air Services, Inc	1	\$ 84,029.85	\$ -	\$ 84,029.85	Notes Receivable-Sky Bahamas G/L
Aircraft Turbine Works Inc	1	\$ 40,000.00	\$ -	\$ 40,000.00	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)**Advanced Aviation: Finding (cont'd)**

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
Airforce Turbine Service Ltd	3	\$ 169,820.64	\$ 110,000.00	\$ 59,820.64	Notes Receivable-Sky Bahamas G/L
Alandia Air International	1	\$ 40,580.00	\$ 40,580.00	\$ -	Notes Receivable-Sky Bahamas G/L
Alca Avionics International	1	\$ 4,545.25	\$ 4,545.25	\$ -	Notes Receivable-Sky Bahamas G/L
Alpha Aviation	2	\$ 300,000.00	\$ 300,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
Arthur Gallagher Premium Trust International	2	\$ 198,863.18	\$ 36,196.23	\$ 162,666.95	Notes Receivable-Sky Bahamas G/L
Aviall Services International	1	\$ 3,717.23	\$ 3,717.23	\$ -	Notes Receivable-Sky Bahamas G/L
Aviation Airmotive Inc	6	\$ 220,481.67	\$ 220,481.67	\$ -	Notes Receivable-Sky Bahamas G/L
Aviation Inventory Resources International	1	\$ 180,025.00	\$ -	\$ 180,025.00	Notes Receivable-Sky Bahamas G/L
Aviation Propellers International	2	\$ 48,556.17	\$ 9,359.66	\$ 39,196.51	Notes Receivable-Sky Bahamas G/L
Black Swann Consulting International	20	\$ 1,474,190.85	\$ 1,047,490.73	\$ 426,700.12	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)**Advanced Aviation: Finding (cont'd)**

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
Bucher Aerospace International	1	\$ 373.49	\$ 373.49	\$ -	Notes Receivable-Sky Bahamas G/L
C & L Aerospace/ C & L Aviation International	12	\$ 2,117,268.06	\$ 1,012,431.25	\$ 1,104,836.81	Notes Receivable-Sky Bahamas G/L
Capital Aviation International	2	\$ 41,533.97	\$ 6,720.25	\$ 34,813.72	Notes Receivable-Sky Bahamas G/L
Chip's Custom Painting International	1	\$ 32,000.00	\$ -	\$ 32,000.00	Notes Receivable-Sky Bahamas G/L
Diamond Fasteners International	1	\$ 425.25	\$ 425.25	\$ -	Notes Receivable-Sky Bahamas G/L
Discovery Air Technical Services International	5	\$ 737,216.40	\$ 587,216.40	\$ 150,000.00	Notes Receivable-Sky Bahamas G/L
Dowty Propellers International	3	\$ 193,697.09	\$ 15,336.94	\$ 178,360.15	Notes Receivable-Sky Bahamas G/L
Federal Aviation Administration	7	\$ 87,821.23	\$ 45,279.12	\$ 42,542.11	Notes Receivable-Sky Bahamas G/L
First Insurance Funding Corp – Insurance International	6	\$ 355,580.03	\$ 324,859.28	\$ 30,720.75	Notes Receivable-Sky Bahamas G/L
Flight Safety International	3	\$ 111,700.00	\$ 111,700.00	\$ -	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)**Advanced Aviation: Finding (cont'd)**

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
Flight Training International	2	\$ 13,806.00	\$ 5,806.00	\$ 8,000.00	Notes Receivable-Sky Bahamas G/L
GB Airport International	1	\$ 137,994.23	\$ 137,994.23	\$ -	Notes Receivable-Sky Bahamas G/L
GE Engine Services Inc	23	\$ 2,291,623.41	\$ 1,156,445.03	\$ 1,135,178.38	Notes Receivable-Sky Bahamas G/L
Global Borescope International	1	\$ 4,840.25	\$ 4,840.25	\$ -	Notes Receivable-Sky Bahamas G/L
GSE International Inc	5	\$ 144,156.00	\$ 29,000.00	\$ 115,156.00	Notes Receivable-Sky Bahamas G/L
H&S Aviation International	1	\$ 25,000.00	\$ 25,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
International Air Parts	1	\$ 22,993.07	\$ -	\$ 22,993.07	Notes Receivable-Sky Bahamas G/L
Intertrade	2	\$ 20,549.64	\$ 13,249.90	\$ 7,299.74	Notes Receivable-Sky Bahamas G/L
Isla Trade Corp International	2	\$ 309,330.80	\$ -	\$ 309,330.80	Notes Receivable-Sky Bahamas G/L
Jetset Airmotive International	2	\$ 132,922.20	\$ -	\$ 132,922.20	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)Advanced Aviation: Finding (cont'd)

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
Lockton Companies International Ltd.	12	\$ 771,884.33	\$ 327,988.81	\$ 443,895.52	Notes Receivable-Sky Bahamas G/L
Malette Family LLC	15	\$ 688,699.00	\$ 559,714.00	\$ 128,985.00	Notes Receivable-Sky Bahamas G/L
NAD International	1	\$ 347,000.00	\$ 347,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
Nation Air Insurance International	1	\$ 157,710.37	\$ -	\$ 157,710.37	Notes Receivable-Sky Bahamas G/L
Peterson Aircraft International	1	\$ 18,215.25	\$ 18,215.25	\$ -	Notes Receivable-Sky Bahamas G/L
Piedmont Propulsion International	2	\$ 285,021.50	\$ 170,021.50	\$ 115,000.00	Notes Receivable-Sky Bahamas G/L
Pratt & Whitney International	1	\$ 17,134.33	\$ -	\$ 17,134.33	Notes Receivable-Sky Bahamas G/L
Pro AirCraft International	1	\$ 300,000.00	\$ 300,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
Rockwell Collins International	1	\$ 1,130.94	\$ 1,130.94	\$ -	Notes Receivable-Sky Bahamas G/L
SAAB Aerotech of America Inc./ SAAB Support & Services Intl.	4	\$ 234,635.44	\$ 173,109.40	\$ 61,526.04	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)Advanced Aviation: Finding (cont'd)

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
SAAB Defense International	4	\$ 405,480.00	\$ 122,288.00	\$ 283,192.00	Notes Receivable-Sky Bahamas G/L
SF Aviation Pty International	1	\$ 95,000.00	\$ -	\$ 95,000.00	Notes Receivable-Sky Bahamas G/L
Sky Aviation	1	\$ 5,538.23	\$ 5,538.23	\$ -	Notes Receivable-Sky Bahamas G/L
Skyplan Services International	5	\$ 10,091.84	\$ 7,762.50	\$ 2,329.34	Notes Receivable-Sky Bahamas G/L
Skyvantage Corp. International	3	\$ 18,250.63	\$ 18,250.63	\$ -	Notes Receivable-Sky Bahamas G/L
South Beech Aviation International	2	\$ 54,447.89	\$ -	\$ 54,447.89	Notes Receivable-Sky Bahamas G/L
Summit Aircraft LP	5	\$ 245,817.98	\$ 245,817.98	\$ -	Notes Receivable-Sky Bahamas G/L
Teleford Aviation International	2	\$ 28,127.03	\$ 28,127.03	\$ -	Notes Receivable-Sky Bahamas G/L
Toledo Jet Centre International	1	\$ 14,110.00	\$ -	\$ 14,110.00	Notes Receivable-Sky Bahamas G/L
Wencor West International	1	\$ 12,163.74	\$ 12,163.74	\$ -	Notes Receivable-Sky Bahamas G/L

Forensic Scope: Issue 2 (cont'd)

Advanced Aviation: Finding (cont'd)

Payee	Total Wires	Net Amount	Wire Transactions without Supporting Documentation Attached	Wire Transactions with Supporting Documentation Attached	QuickBooks Account/ General Ledger
Worthington Aviation International	6	\$ 327,230.47	\$ 60,400.50	\$ 266,829.97	Notes Receivable-Sky Bahamas G/L
No Name (No Requisition Form)	1	\$ 100,000.00	\$ 100,000.00	\$ -	Notes Receivable-Sky Bahamas G/L
Other Vendor Returns	0	\$ (522,495.00)	\$ -	\$ (522,495.00)	Notes Receivable-Sky Bahamas G/L
Total	231	\$ 17,110,299.62	\$ 11,281,755.17	\$ 5,828,544.45	

Point to Note

- Advanced Aviation did not have supporting documentation in place to verify the wire transfer transactions. This is an indication of poor record keeping. Copies should be kept on file.

Forensic Scope: Issue 2 (cont'd)

AOG Maintenance

Finding:

Insufficient Supporting Documentation

Seven checks totaling \$895,000 were made payable to AOG Maintenance from Alpha Aviation's checking account from July 2012 to February 2016. Reasons were not given on the physical checks regarding payment for any of the transactions processed. In the QuickBooks accounting system, a reason was given for 1 of the checks; check# 1701 dated April 7th, 2013 in the amount of \$300,000. The other checks were posted to the "Other Assets" general ledger for Sky Bahamas or Loans to AOG. This posting was the only means of identifying what the payment transaction was for as there were no supporting documents, and no reason for payment provided.

On April 8th, 2016, a \$100,000 wire payment from Advanced Aviation to Alpha Aviation was noted in the Transaction by Account Summary listing which is found in the "Advanced Aviation Loans to Sky Bahamas" binder. This transaction had no wire requisition form or payment support attached. A payment of this size should have had more information available. There was a note in the memo section of QuickBooks indicating AOG. The transaction was posted to the "Notes Receivable – Sky Bahamas" general ledger.

BDO received no other information regarding AOG Maintenance from AOG Maintenance's management to note.

Forensic Scope:

Issue 3

Whether the Companies' internal controls, accounting procedures as it relates to remittances, advances, payments and loans to third parties were being adhered to, for deficiencies and report on those weaknesses if applicable.

Internal control is defined as the process designed to ensure reliable financial reporting, effective and efficient operations and compliance with applicable laws and regulations. It further ensures that company assets are safeguarded against theft and unauthorized use, acquisition and disposal. Control activities such as authorization, documentation, reconciliation, security, and the separation of duties are carried out through policies and procedures created by management to achieve desired objectives. This report focused mainly on the authorization and documentation aspect of internal control carried out.

Alpha Aviation & Advanced Aviation

Finding:

Weak Internal Controls

BDO was not presented with documented internal control policies or procedures. The non-existence of written policies or procedures does not necessarily indicate that a company has not adopted any. In the absence, however, the lack of documented controls makes it more likely to not follow a consistent process for routine transactions. This was evident when reviewing cancelled checks and wire transfer requisition forms. A few checks had a reason for payment while a large quantity did not. Several wire transfer requisition forms had supporting documentation attached, while others did not. A number of transactions had wire transfer requisition forms on file, while others did not. Maintaining a clearly defined set of policies and procedures makes the documentation aspect of internal control more effective as it would stipulate for example that no check can be written, approved and subsequently filed without its support attached. A signed copy of a check should always be a part of the filed records. Likewise, no wire transaction should be filed without ensuring that the filed copy reflects the original in addition to having the necessary supporting documentation attached. It is unusual to have a copy of a document on file that does not reflect the original. This was the case with Advanced Aviation having copies of wire transfer requisitions forms with initials of signatories while the original forms had the actual signatures that agreed to the FCIB mandates. Copies should reflect the original (see example of wire requisition forms and signature specimen).

Forensic Scope: Issue 3 (cont'd)Alpha Aviation & Advanced Aviation: Finding (cont'd)

Below is a sample of the wire transfer requisition form found in the "Advanced Aviation Loans to Sky Bahamas" binder followed by a copy of the signature specimen per FCIB mandate.

Sample of Advanced Aviation's Wire Transfer Requisition

Requisition for Wire Payment Transfer		FIRST CARIBBEAN INTERNATIONAL BANK	
For Bank Use Only		BRANCH ADDRESS	
<input type="checkbox"/> MT103 <input type="checkbox"/> MT202 Transfer AT OUR RISK TO _____ PURPOSE CODE _____		Pioneers Way Freeport, Bahamas 020-0810-978	
ACCOUNT NUMBER			
**Indicates for "Bank Use Only"			
(20) **Transaction Reference:		(21) Related Reference:	
(32A) Value Date: 11/19/2012	U.S.	500000.00	
		Five Hundred Thousand Dollars	
**Exchange Rate:		**Cable Costs:	
Advanced Aviation Ltd. P.O. Box F-43017 Chancery Court 2 nd Floor The Mall Drive, Freeport, Grand Bahama, Bahamas		(56A) Intermediary Bank:	
(53A) Sender's Correspondent:		417 244	
		C & L Aerospace Pty Ltd	
(54A) Receiver's Correspondent:		5757 Olivas Park, Unit F Ventura CA 93003 USA	
Westpac Banking Corp Stafford City Shopping Centre Stafford 4053, Australia BSB:034 702; Swift Code: WPAC AU 2 S		(70A) Remittance Information (Details of Payment):	
		(72) Sender to receiver information (Bank to Bank info):	
Please arrange the payment described above subject to the Terms and Conditions on Page 1 of this Payment Order. The undersigned acknowledges having read the Terms and Conditions and agrees to be bound by them. If more than one Customer signs this Payment Order, the Customers agree that their liability pursuant to this Payment Order shall be joint and several.			
Customer Name Advanced Aviation Ltd.		Customer Signature Date 11/19/2012	
Customer Address P.O. Box F-43017, Chancery Court 2 nd FL The mall drive Freeport, Grand Bahama, Bahamas		If company, authorized signature(s) required with stamp	
		Customer Phone (242) 351-6433	
For Bank Use Only			
We hereby confirm the genuineness of these instructions to transmit the funds requested and we confirm that all FirstCaribbean International Bank Anti-Money Laundering checks have been performed. Further, all outgoing Wire Transfer Procedures have been complied with (refer to procedures on the Intranet).			
Prepared by: Date		Authorized by: Date	
39B-FC-05-12 1/19/2012 10:21 AM		Page 2 of 2	

Forensic Scope: Issue 3 (cont'd)

Alpha Aviation & Advanced Aviation: Finding (cont'd)

Sample of Signature Specimen for Advanced Aviation

CUSTOMER AGREEMENT

By signing below you:

- agree and accept this Agreement;
- agree that FirstCaribbean can make credit reference and other enquiries about the Company and you personally now and at any time in the future for the purpose of considering any request for services or credit facilities from us;
- agree that other FirstCaribbean Group companies can bring to your attention products and services which they think may be of interest to you. (If you do not wish to receive details of products and services, please write to your branch quoting your account number(s));
- agree to notify FirstCaribbean of any change to beneficial ownership and/or financial control of the Company as soon as possible following such change but in any event within 14 days

The combination of individuals authorised to give instructions to FirstCaribbean is:
(please tick relevant box)

Any one of the following

All of the following

Any two of the following



The first named person below and one other

Specify any other combination:

Name: KEVIN PETER TURNQUEST
Signature: [Signature]

Position: DIRECTOR
Date: 10/11/06

Name: FRED KAUBER
Signature: [Signature]

Position: Authorized Signatory
Date: 10/11/06

Name: T. MADLAND CATES
Signature: [Signature]

Position: Authorized Signatory
Date: 10/11/06

Name: ELLISON J. DELON
Signature: [Signature]

Position: Authorized Signatory
Date: 10/11/06

Name:

Position:

Signature:

Date:

Forensic Scope: Issue 3 (cont'd)

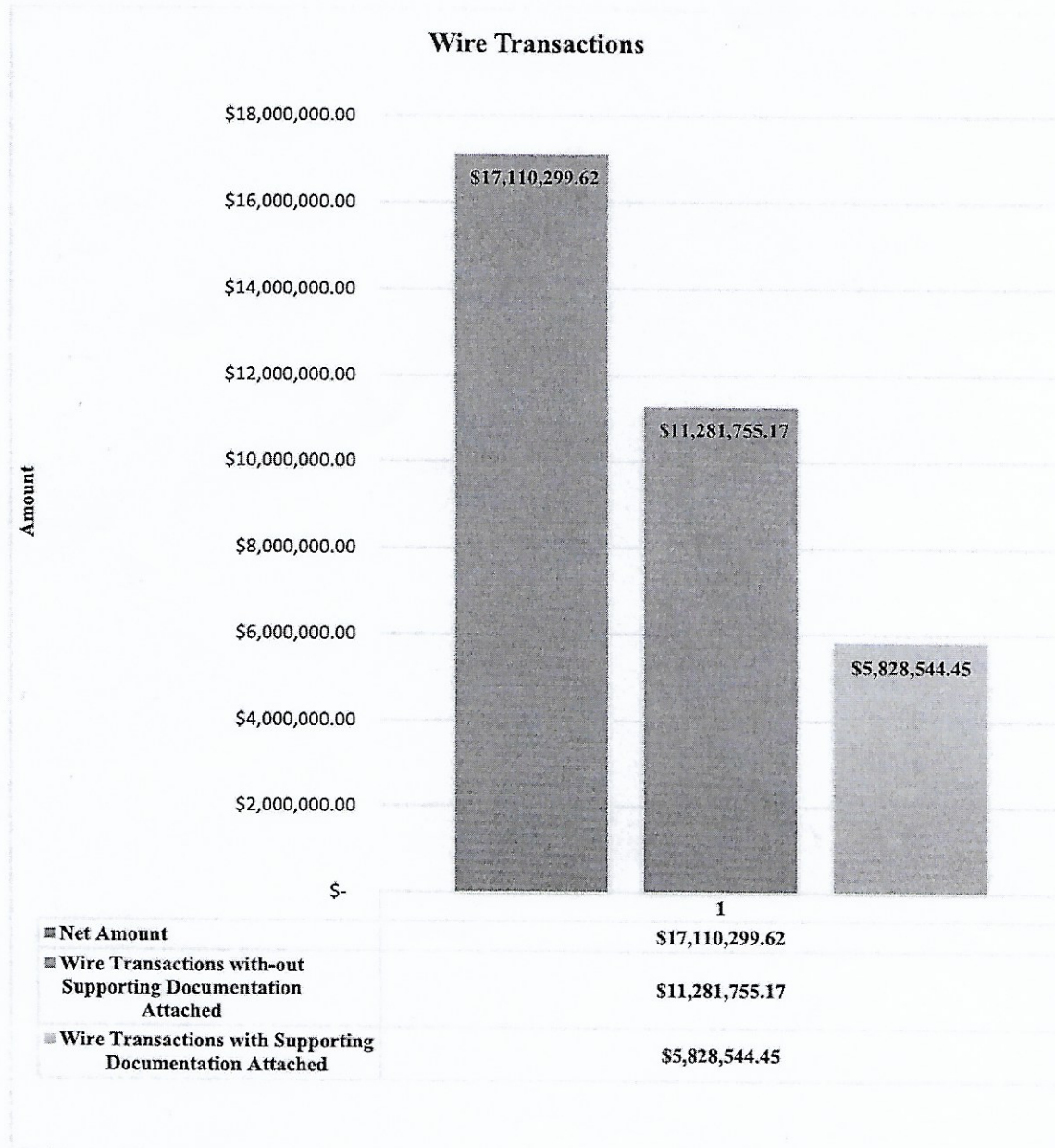
Alpha Aviation & Advanced Aviation: Finding (cont'd)

BDO was not provided with wire transfer requisition forms for 36 of the transactions submitted in the "Advanced Aviation Loans to Sky Bahamas" binder with a combined total of \$2,998,184.25. The dates of these transactions ranged from May 2nd, 2008 to February 1st, 2017. All transactions were confirmed as they were traced back to the bank statements submitted for review. The lack of wire transfer requisition forms is another indication of poor record keeping. Copies should be kept on file. Please see the graph below.

Forensic Scope: Issue 3 (cont'd)

Alpha Aviation & Advanced Aviation: Finding (cont'd)

Graph Illustrating
Processed Wire Transactions



Forensic Scope: Issue 3 (cont'd)

Alpha Aviation & Advanced Aviation: Finding (cont'd)

Alpha Aviation's authorization component of internal control was not consistently adhered to. Authorized signatories signed beyond their approval limits while officers who were not yet authorized signatories signed on Alpha Aviation's checks. A control designed to protect company assets and limit access to company cash was not adhered to.

The reconciliation component was noted in the form of bank reconciliations being present for Alpha Aviation for the period December 2009 to December 2014. However, bank reconciliations were not made available to us for the year 2008, and January to November 2009, years 2015, 2016 and 2017. Further, BDO did not receive any bank reconciliations for Advanced Aviation and AOG Maintenance. The Companies' current management confirmed that bank reconciliations were destroyed in a hurricane.

Segregation of duties and security of company assets were shared between K. Peter Turnquest who was a Director and the General Manager based on and Advanced Aviation's Register of Directors, Alpha Aviation's Annual Returns and FCIB mandates, Anton Forde who was the accounts clerk and Chantel Miller who served as the receptionist. It was confirmed that the accounts clerk both recorded and reconciled accounting entries.

Points to Note

- Documentation process was weak.
- Authorization component of internal control for Alpha Aviation check signing was not adhered to consistently.
- Segregation of duty was lacking as the same individual both recorded and reconciled accounting entries.

Forensic Scope:

Issue 4

Whether Fraud, including theft, corruption (conflicts of interest, bribery and extortion); and other illegal financial activities occurred.

In determining whether this issue was a factor during the period under review, it was necessary to first examine the ways in which fraud, corruption and other illegal financial activities could occur. Due to the nature of the organizational activities of the Companies under review, the payment of large amounts were made on a consistent basis whether it was a payment via check or wire transfer. As a result, the procedures or policies in place regarding payments were of utmost importance.

The Companies (Alpha Aviation, Advanced Aviation & AOG Maintenance)

Finding:

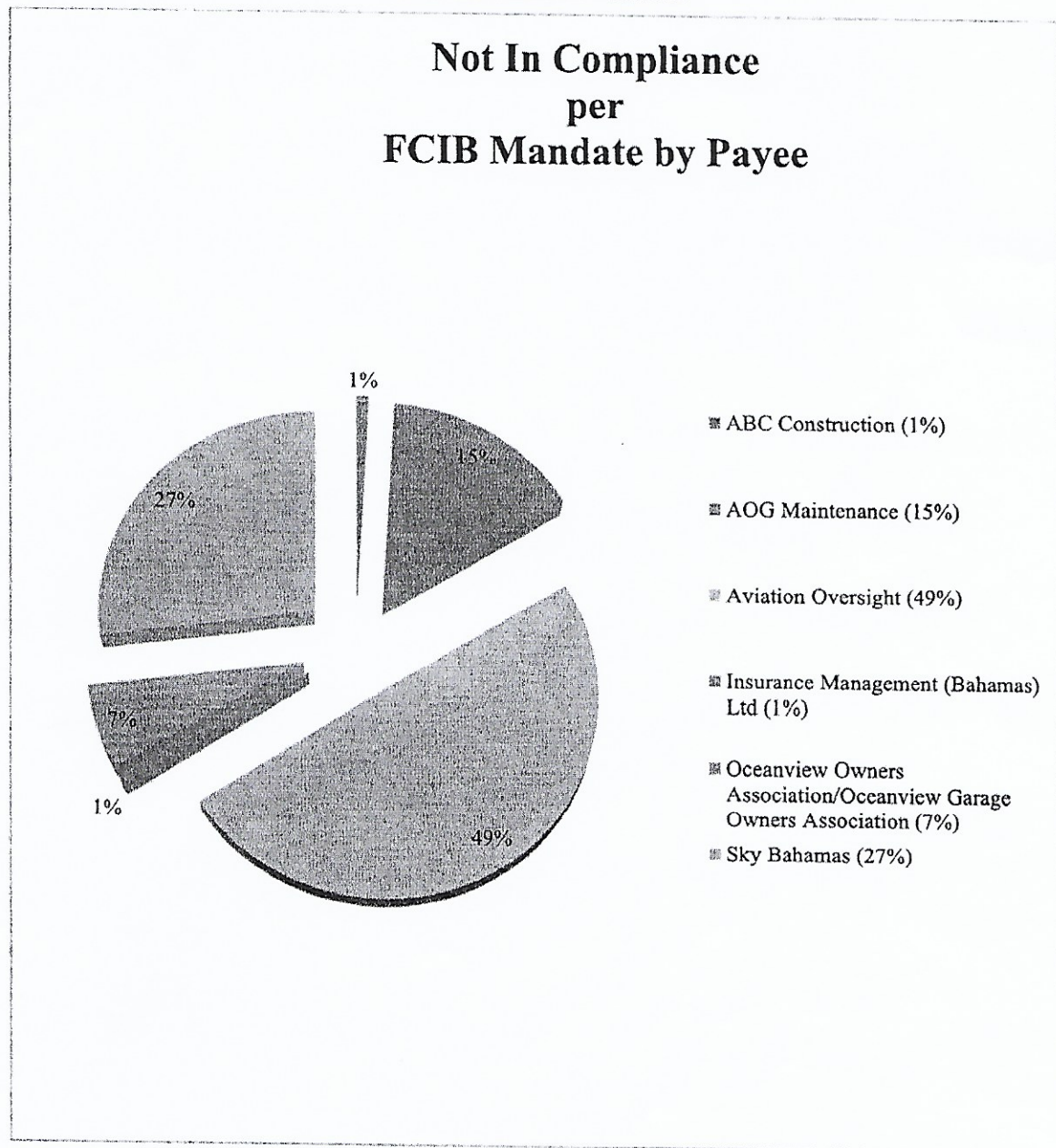
Potential presence of Fraud and/or Malfeasance

A review of cancelled checks and wire transfer requisitions along with available supporting documentation revealed that best practices that should have been followed or adopted to protect the Companies' assets were not followed on a consistent basis. While the transactions that were processed may have been legitimate, they lacked proper support, and some were not in compliance with the FCIB mandate. This raised red flags because it gave the appearance of malfeasance. The FCIB mandate stipulated who the authorized signatories were for a given period and what their approved authorization limits were. Based on the information provided to BDO, we identified that Alpha Aviation had 30 out of 884 checks that were not in compliance. The dollar value of \$1,854,897.68 accounted for 21% of the identified transaction value. Only 10 of the non-compliant checks had a payment description. The payment descriptions were not in the form of invoices or expense reports. They were only noted on the physical checks in the memo section or in the QuickBooks account system's memo section. BDO was told that no support was available for those transactions. There appeared to be no system in place to prevent making duplicate payments. The graph below shows the non-compliant amounts by payee. The payees listed account for those whose non-compliant amounts were equal to or greater than 1% of the non-compliant value.

Forensic Scope: Issue 4 (cont'd)

The Companies (Alpha Aviation, Advanced Aviation & AOG Maintenance): Finding (cont'd)

Graph Illustrating
Non-Compliance by Payee



Forensic Scope: Issue 4 (cont'd)

The Companies (Alpha Aviation, Advanced Aviation & AOG Maintenance): Finding (cont'd)

Best practices that should be carried out on a consistent basis include

- Ensuring that only authorized managers, executives or authorized signatories approve payments. This practice limits who has access to company cash.
- Ensuring that payments have copies of supporting documentation such as invoices, expense reports, or receipts attached for record proposes. This not only aids the organization in its record keeping process, but it also ensures that all transactions carried out are transparent due to the presence of supporting documentation. It takes the guess work out of trying to determine what happened in a process or payment transaction and why. This is particularly important when an external party must view payment transactions.
- Setting a limit on the approval amounts. Once a set limit is exceeded, two authorized signatories are needed. This is a best practice to avoid abuse or theft.
- Having Annual Audits
- Conducting Monthly Financial Reviews
- Ensuring that minutes are kept for all Board of Director meetings.

Forensic Scope: Issue 4 (cont'd)

The Companies (Alpha Aviation, Advanced Aviation & AOG Maintenance): Finding (cont'd)

Red Flags present that indicate Fraud and/or Malfeasance

- Unauthorized payments made by unauthorized signatories and managers exceeding their authorized limits.
- Discrepancies in the accounting records such as transactions not recorded or recorded improperly by payee and accounting period.
- Unsupported Transactions
- Missing Documents

Scope Limitations and Lack of Documentation:

The lack or non-existence of key documents hampered our ability to fully report on various scope issues. Reporting as to whether management, directors and external agents adhered to policies and procedures in relation to execution of the various remittances, advances, payments and loans to third parties was possible, but to a limited extent. Compliance regarding payments was possible due to the availability of the FCIB mandates however all supporting documentation in the form of cancelled checks were not provided to BDO for review. Reporting on loans to third parties was limited due to the unavailability of loan agreements and other pertinent information. Best practices regarding the issuance of loans include as a minimum an agreement between the parties that include:

- the loan purpose
- repayment conditions
- interest and interest periods if applicable
- conditions in the event of a default
- remedies in the event of a default
- amount of the loan

Based on the information received, none of these were in place. We have evidence through the existence of various postings of loans to general ledgers, but we have no support to analyze those postings.

Determining whether the proceeds of the remittances, advances, payments and loans were utilized in accordance with the intended purpose was again hampered due to limited availability of supporting documentation needed to confirm and justify what the payments were for and why it was needed. We have no proof that the transactions were legitimate entries.

BDO reviewed the QuickBooks accounting system utilized by Alpha Aviation and Advanced Aviation. The check register for Alpha Aviation was reviewed from January 2008 to December 2017. One thousand four hundred seventy-two checks with an aggregate total of \$14,182,544.84 were recorded in the accounting systems register. The information BDO was able to derive from the cancelled checks provided to us was only 884 out of 1,472 transactions or checks. A difference of 588 checks totaling \$5,271,625.15 could not be verified or confirmed due to lack of documentation in the form of cancelled checks. It is possible that the value of the non-compliant amount is greater than the \$1,854,897.68 amount stated. The Companies did not provide BDO with all of Alpha Aviation's cancelled checks for the report period.

	QuickBooks Check Register	Processed Checks Reviewed by BDO	Variance
# Of Processed Checks	1472	884	588
Dollar Value	\$14,182,544.84	\$8,910,919.69	\$5,271,625.15

Scope Limitations and Lack of Documentation (cont'd)

BDO received no information regarding AOG Maintenance. AOG Maintenance's records were maintained and managed by Randy Butler. The Companies indicated that they did not want us to interview the former General Manager and bank signatories. BDO was not given the opportunity to present the points noted to prior Management/ Directors who may have been able to provide additional insight and explanations for findings noted in this report.

Forensic Investigation Summary of Findings:

From the information provided to us by the Companies the following findings were noted.

- Payments that did not have the appropriate authorized signatory were processed for payment by FCIB.
- Advanced Aviation's authorized signatories signed Alpha Aviation's checks during periods in which they were not yet authorized to sign on Alpha Aviation's checks. Ellison Delva and T. Maitland Cates were not authorized to sign on Alpha Aviation's checks until June 2017.
- There were no documented Loan Agreements or understanding provided. Alpha Aviation and Advanced Aviation had a receivable due from Sky Bahamas on their March 31st, 2012 balance sheet however Sky Bahamas had no liability recorded for a loan due to either company according to the March 31st, 2012 balance sheet for Sky Bahamas.
- There was little or no documentation in some cases supporting payments to vendors which is an indication of poor record keeping practices.
- There were no policies or procedures for Company operations.
- Payment dates and payees for checks cleared do not agree with the payment dates and payees recorded in the system. Checks written and cleared in 2014, 2015 and 2016 are recorded in the system for financial years 2012, 2013 and 2014. This was determined by tracing source documents such as cancelled checks back to the system to ensure they were being recorded and recorded correctly.
- Transactions were not posted in the QuickBooks accounting system.
- Internal control was weak as the same individual both reconciled and recorded accounting entries.

Please see the summary table below highlighting financial anomalies.

	Alpha Aviation	Advanced Aviation	*AOG Maintenance
Non-Compliant Transactions with bank mandates	\$ 1,854,897.68	\$ -	N/A
Transactions without Supporting Documentation	\$ 14,182,544.84	\$ 11,281,755.17	N/A
Financial Anomalies Identified	\$ 426,150.00	\$ -	N/A
Non-recorded Transactions	\$ 8,400.00	\$ -	N/A
Total	\$ 16,471,992.52	\$ 11,281,755.17	\$ -

*Information was not provided to BDO for AOG Maintenance. BDO was unable to determine financial anomalies for this company due to lack of information.

Forensic Investigation Summary of Findings (cont'd)

After a thorough review of Alpha Aviation's cancelled checks, bank reconciliations and FCIB mandates, it was evident that all checks presented for review lacked relevant payment support. The reasons for payment were derived from the information found on the physical checks in the memo/for area of the check, in notes submitted with the Check analysis document and in the QuickBooks accounting system utilized by the Companies.

The review of cancelled checks further revealed the frequency of non-compliance on the parts of the authorized signatories and FCIB. The only document provided to BDO for review was that of the FCIB mandates. This document was used as a guide to confirm which signatory had signing authority for a given period. The first FCIB mandate for Alpha Aviation was dated from October 29th, 1999. The second FCIB mandate was dated August 19th, 2015. All checks that had a process date from October 29th, 1999 to August 18th, 2015 should have been governed by the first mandate in force. During this time K. Peter Turnquest had unlimited signing authority and did not need the signature of Fred Kaiser for checks to be processed by FCIB.

The third FCIB mandate was dated June 6th, 2017. All checks that had a process date from August 19th, 2015 to June 5th, 2017 should have been governed by the second mandate in force. This mandate upon the effective date rescinded or amended any previous mandates in force. Ninety-five percent of the non-compliant checks processed were processed from September 22nd, 2015 to December 20th, 2016. These checks were not in compliance because K. Peter Turnquest exceeded his signing authority limit of \$10,000.00 when signing alone. When K. Peter Turnquest did not sign alone it was noted that Ellison Delva or T. Maitland Cates signed as well. Ellison Delva and T. Maitland Cates were not listed on Alpha Aviation's list of authorized signatories until the June 6th, 2017 FCIB mandate was put in force. As a result, checks in the total amount of \$1,854,897.68 were not in compliance. This non-compliant amount is subject to increase if provided with more information in the form of cancelled checks to verify the signee or authorized signatory. Further, the non-compliant cancelled checks reviewed should not have been processed by FCIB based on the information available. Confirmation was obtained by the Companies' current management stating that the FCIB mandate is the only document that governs the signing authority and that there are no other documents to support otherwise.

Subsequent request for additional information to complete the forensic investigation:

In order to fulfill our mandate italicized below, we need to have access to Sky Bahamas' financial records.

Determine whether various payments, remittances and loans made by the Companies to Sky Bahamas and various entities and persons were made and advanced in accordance with proper and stated policies and procedures and whether the proceeds were used as intended, and also whether fraud and or malfeasance occurred.

The loan payable to Alpha Aviation from Sky Bahamas was in the amount of \$22,556,337.33 as at December 31st, 2018. The loan payable to Advanced Aviation from Sky Bahamas was in the amount of \$5,916,587.67 as at December 31st, 2018. As a result of the aforementioned loans, we suggest that Mr. Kaiser petition the court to have Sky Bahamas' books and records subpoenaed and turned over for forensic review. This forensic review will identify the use of funds transferred to Sky Bahamas from the Companies. AOG Maintenance's records should also be subpoenaed as payments were made to this entity and BDO did not have access of the books and records for this company.

Upon receipt of the above documents, BDO will perform a forensic investigation paying particular attention to the following:

- Identifying reason/reasons why Sky Bahamas does not have a loan liability recorded for amounts owed to Alpha Aviation and Advanced Aviation.
- Identify all transactions that make up the total in the "Due to shareholders – Capt Dream" general ledger under the equity section of Sky Bahamas' balance sheet.
- Trace all salary payments paid to Randy Butler back to Sky Bahamas' books to verify the intended purpose was utilized.

Further, Aviation Oversight's purpose needs to be examined in more detail. BDO reviewed 24 cancelled checks with a combined total of \$2,874,400 made payable between July 2008 to August 2016. Eight of these checks totaling \$916,000 were not in compliance with FCIB mandate. Aviation Oversight's non-compliant checks made up 49% of the \$1,854,897.68 non-compliant check amounts. Hence, this company needs to be scrutinized a little more to determine the relationship with the Companies. Seven of the non-compliant checks were posted to the "Other Assets - Loan to AOG" general ledger while one was posted to the "Other Assets - Sky Bahamas" general ledger.

APPENDIX 1

FCIB Mandate - Alpha Aviation

Date of mandate: September 4th, 2018

Authorized Signatory	Conditions	Limit
Frederick Kaiser	Can sign alone	Unlimited
Rose Delancy Karen Sanchez Robert Corde	Combination of any two	Unlimited
Rose Delancy	Can sign alone	Up to \$2,500.00

Date of mandate: June 6th, 2017 (Signed June 9th, 2017)

Authorized Signatory	Conditions	Limit
Frederick Kaiser	Can sign alone	Unlimited
Rose Delancy T. Maitland Cates Ellison J. Delva	Combination of any two	Unlimited
Rose Delancy	Can sign alone	Up to \$2,500.00

Date of mandate: August 19th, 2015

Authorized Signatory	Conditions	Limit
Frederick Kaiser	Can sign alone	Unlimited
Frederick Kaiser K. Peter Turnquest	Combination of any two	Unlimited
K. Peter Turnquest	Can sign alone	Up to \$10,000.00

Date of mandate: October 29th, 1999

Authorized Signatory	Conditions	Limit
Frederick Kaiser	Can sign alone	Unlimited
K. Peter Turnquest	Can sign alone	Unlimited

8719-FC-12-10

FOR BANK USE

Country of Incorporation: BAHAMAS

Held on the day of: 4TH month: SEPTEMBER year: 2018

1. that FirstCaribbean International Bank (please tick)

(a) be appointed as the Company's bankers; or ☐

(b) cancel all existing mandates to FirstCaribbean given on behalf of the Company and substitute this mandate except in relation to items and instructions given before FirstCaribbean's receipt of this resolution. ☒

2. the signatories named below and in the combination specified below be authorised on behalf of the Company:

(a) to sign this Agreement (which includes the Corporate Account Application, FirstCaribbean International Corporate Banking Account Conditions and this Mandate);

(b) to enter into any other agreements with FirstCaribbean for banking products or services which they consider to be in the interests of the Company from time to time; and

(c) to give instructions to FirstCaribbean and set up security procedures for giving instructions by telephone.

3. to agree and accept on behalf of the Company:

(a) this Agreement including the FirstCaribbean International Corporate Banking Account Conditions (copies of such Account Conditions having been exhibited to and approved by the Board) upon which FirstCaribbean provides accounts and services from time-to-time; and

(b) that requests for new accounts shall be in accordance with the Company's mandate held with FirstCaribbean; and

(c) that any additional Conditions applicable to such additional accounts will automatically apply at the time of receipt by FirstCaribbean of the request from the Company for such additional accounts.

We confirm that the above to be an accurate statement of what was agreed at the meeting.

Signature of the Director: F. H. Allen

Signature of the Company Secretary/Director: Kose Delancey

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8719-FC-12-10

CUSTOMER AGREEMENT


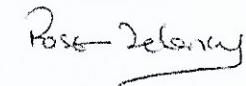
By signing below you:

- agree and accept this Agreement;
- agree that FirstCaribbean can make credit reference and other enquiries about the Company and you personally now and at any time in the future for the purpose of considering any request for services or credit facilities from us;
- agree that other FirstCaribbean Group companies can bring to your attention products and services which they think may be of interest to you. (If you do not wish to receive details of products and services, please write to your branch quoting your account number(s));
- agree to notify FirstCaribbean of any change to beneficial ownership and/or financial control of the Company as soon as possible following such change but in any event within 14 days.

The combination of individuals authorised to give instructions to FirstCaribbean is:
(please tick relevant box)

- | | | | |
|--------------------------|--------------------------|--|--------------------------|
| Any one of the following | <input type="checkbox"/> | All of the following | <input type="checkbox"/> |
| Any two of the following | <input type="checkbox"/> | The first named person below and one other | <input type="checkbox"/> |

Specify any other combination: **FREDRICK SIGNING ALONE OR ANY TWO OF ROSE DELANCY, KARIN SANCHEZ AND ROBERT CORDES OR ROSE DELANCY SIGNING UP TO \$2,500.00.**

Name:	FREDRICK KAISER	Position:	DIRECTOR
Signature:		Date:	4/9/18
Name:	ROSE DELANCY	Position:	ASSISTANT SECRETARY
Signature:		Date:	4/9/18
Name:	KARIN SANCHEZ	Position:	AUTHORISED SIGNATORY
Signature:		Date:	4/9/18
Name:	ROBERT CORDES	Position:	AUTHORISED SIGNATORY
Signature:		Date:	4/9/18
Name:		Position:	
Signature:		Date:	

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8719-FC-12-10

FOR BANK USE

Account Number:

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Name of company: ALPHA AVIATION LTD.

Company's registered number:

Country of Incorporation:

At the meeting of the Board of Directors:

Held on the day of: 6th month: June year: 2017

It was resolved:

1. that FirstCaribbean International Bank (please tick)
 - (a) be appointed as the Company's bankers; or ☐
 - (b) cancel all existing mandates to FirstCaribbean given on behalf of the Company and substitute this mandate except in relation to items and instructions given before FirstCaribbean's receipt of this resolution. ☐
2. the signatories named below and in the combination specified below be authorised on behalf of the Company:
 - (a) to sign this Agreement (which includes the Corporate Account Application, FirstCaribbean International Corporate Banking Account Conditions and this Mandate);
 - (b) to enter into any other agreements with FirstCaribbean for banking products or services which they consider to be in the interests of the Company from time to time; and
 - (c) to give instructions to FirstCaribbean and set up security procedures for giving instructions by telephone.
3. to agree and accept on behalf of the Company:
 - (a) this Agreement including the FirstCaribbean International Corporate Banking Account Conditions (copies of such Account Conditions having been exhibited to and approved by the Board) upon which FirstCaribbean provides accounts and services from time-to-time; and
 - (b) that requests for new accounts shall be in accordance with the Company's mandate held with FirstCaribbean; and
 - (c) that any additional Conditions applicable to such additional accounts will automatically apply at the time of receipt by FirstCaribbean of the request from the Company for such additional accounts.

We confirm that the above to be an accurate statement of what was agreed at the meeting.

Signature of the Director: *F. H. H. H.*

Signature of the Company Secretary/Director: