

# RSM Richter Inc.

May 5, 2006

Via Mail

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# Newsletter

## Olympus United Funds Corporation/Corporation de Fonds Unis Olympus (hereinafter “Olympus”)

### 1. Purpose of Newsletter

In order to enhance communications with the investors in Olympus (the “Investors”), RSM Richter Inc., in its capacity as the Court-appointed Receiver (the “Receiver”) of the Norshield group of companies<sup>1</sup>, including Olympus (the “Norshield Companies”) will be issuing, on a regular basis, a newsletter that will provide up-to-date information on the progress of the receivership of Olympus and the Norshield Companies (the “Newsletter”). The initial three issues of the Newsletter will be released on a monthly basis after which it will be distributed quarterly. A copy of the Newsletter will also be available on the Receiver’s Norshield website: [www.rsmrichter.com/current\\_insolvency\\_files](http://www.rsmrichter.com/current_insolvency_files).

### 2. Investors’ Information Meeting

On February 21, 2006, the Receiver held a three-hour Investors’ information meeting simultaneously in Toronto, Montréal and Vancouver.

Approximately 500 persons attended this meeting during which the Receiver completed a presentation describing the nature and scope of its mandate, providing an overview of the investment structure of Olympus and the Norshield Companies, summarizing the assets identified to date and estimated recoveries and explaining the Receiver’s action plan. This presentation was followed by a question period.

Those Investors who could not attend the meeting can visit our website to obtain a copy of our presentation.

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<sup>1</sup> Norshield Asset Management (Canada) Ltd., Norshield Investment Partners Holdings Ltd., Olympus United Funds Holdings Corporation, Olympus United Funds Corporation, Olympus United Bank and Trust SCC, Olympus United Group Inc., Honeybee Software Technologies Inc. (formerly Norshield Investment Corporation), Norshield Capital Management Corporation.

### 3. Follow up to the Investors' Information Meeting

Following this meeting, the Receiver received a number of written and oral requests to clarify certain points that were raised either during the presentation or question period. We are providing the following to clarify certain information presented at the Investors' information meeting as well as to advise you of events which have taken place and information obtained by the Receiver since that meeting.

- The Receiver does represent the interests of all of the stakeholders of the Norshield Companies, but in particular the interests of the Investors who we believe are some of the largest stakeholders in this matter.

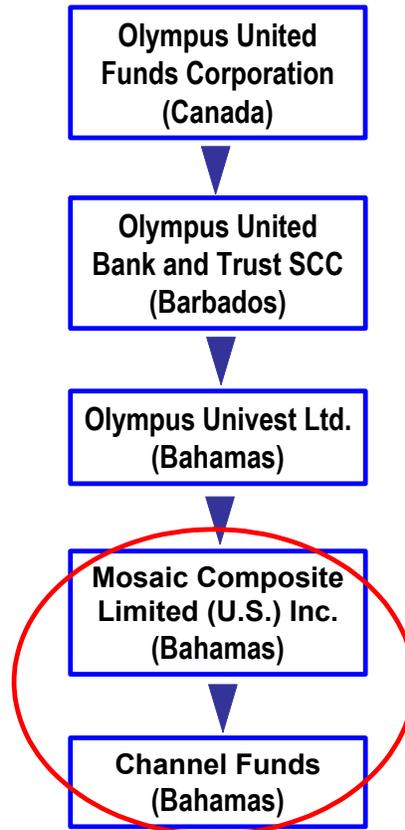
The Receiver was appointed in June 2005 by the Ontario and Quebec Courts to:

- Identify, take possession of and recover all assets of the Norshield Companies;
  - Investigate the affairs of the Norshield Companies, including conducting examinations of key persons;
  - Hold all funds recovered by the Receiver in trust pending further order of the Courts as to the method of distribution of such funds to the stakeholders of the Norshield Companies.
- The Receiver is in the process of performing a forensic review of the activities, books and other records of Olympus and the other Norshield Companies.

The primary objective of this forensic review is to identify and recover the funds remaining from your investments. We also want to establish the trail of the Investors' funds as well as determine the feasibility and the potential benefits of instituting legal proceedings against various parties to achieve additional recoveries for your benefit.

- We are making excellent progress in this area and are now focusing our efforts on analyzing the in-flow and out-flow of funds in various companies including Olympus United Bank and Trust SCC located in Barbados, Olympus Uninvest Ltd. and Mosaic Composite Limited (U.S.) Inc. located in The Bahamas through which we have determined that most of the Investors' funds ultimately flowed.

- For your reference, this is a simplified graphic illustration of the Olympus investment structure:



We expect to complete our analysis of the flow of funds within the next few months and we will report back to the Courts and the Investors with our findings. This analysis should disclose where the Investor funds were ultimately directed. We appreciate your patience and understand that you want to know what happened to your money. We hope to answer these questions through our forensic analysis with the goal of obtaining additional recoveries for you.

Our forensic activities have permitted us to identify significant redemption payments/transfers to a number of entities which we believe are related entities. These redemptions occurred during 2002, 2003 and 2004 and are of particular concern to the Receiver. We are continuing our work to determine the legality of these transactions as well as whether recovery of the funds can be achieved from the recipients.

#### **4. Assets Identified**

We have so far recovered approximately \$8.1 million of assets for the direct benefit of the Investors and are in the process of selling an office building in Barbados which has an approximate value of \$2.5 million.

We have also identified approximately \$25.5 million of other assets:

- Approximately \$8.4 million in the Royal Bank of Canada basket of hedge funds;
- Investments in three Canadian companies, Oceanwide, Niocan and AMT, that may have a total value of \$9.9 million;
- Approximately \$7.2 million in the shares of a Bahamian real estate company.

A legal process, in various Caribbean and U.S. jurisdictions, has been initiated to recover these assets. The recoveries will not be in whole for your benefit as they will be shared with the other stakeholders of the companies where your money has been invested (i.e. Olympus Univest Ltd. and Mosaic Composite Limited (U.S.) Inc.).

Finally, the Receiver is positioning itself to determine what rights it may have, for the benefit of the Investors, to recover an additional \$34 million of assets that have been identified.

The recovery process is long and complicated because we are dealing with foreign Courts and legislation where legal remedies are different than those available in Canada. We are being challenged in many instances by other parties who are making competing claims to those same assets.

#### **5. Legal Recourses against Third Parties**

The Receiver is in the process of assessing what legal recourses could be instituted to further enhance recoveries for the benefit of the Investors. We are unable to provide you any specific details on the legal proceedings that are being contemplated since providing advance notice could compromise the success of any such proceedings. However, the Receiver is actively reviewing the following:

- Proceedings to recover the funds paid to recipients of inappropriate asset transfers, preferential redemptions and other similar transactions;
- Damage claims against officers, directors, professionals (auditors, lawyers, consultants, advisors, etc.), financial institutions and other parties who may have participated in inappropriate transactions or who failed in their fiduciary obligations to Olympus, any of the other Norshield Companies and/or their respective stakeholders (including the Investors).

In addition, the assessment of legal recourses by the Receiver should not preclude nor discourage Investors from investigating any additional recourse that any of them may have in connection with the losses that they have suffered.

## 6. Allegations of Fraud

While the Receiver's forensic work is primarily focused on asset recovery, we may identify irregularities in either the conduct of the officers and directors of Olympus and/or the other Norshield Companies or breaches of civil laws (including securities law) and criminal laws.

In such cases, the Receiver will inform the regulators and/or the police authorities of its findings and will cooperate fully to ensure that any offenders are brought to justice.

We can confirm to you that we have been in regular communications with both the Ontario Securities Commission and its equivalent in Quebec, the Autorité des Marchés Financiers to provide them with all information relevant to their ongoing investigations. We have also met with and/or have exchanged information with the regulatory agencies both in The Bahamas and Barbados. We have also had discussions with law enforcement agencies in Canada.

With information provided by the Receiver as well as any findings from their respective investigations, the regulators and the law enforcement authorities will decide whether the evidence before them is sufficient to bring charges against the individual(s) responsible for any breaches identified. Unfortunately, we are not privy to the scope and progress of any investigations that the regulators or police, whether in Canada or elsewhere, may be conducting in this regard and as such cannot report further to you in this regard.

## 7. Recent Developments

During the last few months, the following developments have occurred which relate, directly or indirectly, to the receivership of Olympus:

- On February 6, 2006, the liquidation of Olympus Uninvest Ltd. was placed under the supervision of the Courts of The Bahamas and Raymond Massi of RSM Richter Inc. was confirmed as Joint Official Liquidator along with Clifford Culmer of BDO Mann Judd, a Bahamian firm specializing in liquidations. Olympus Uninvest Ltd. is the Bahamian entity in which the Receiver believes that most of your funds were consolidated with those of other investors. We are also in the process of having this appointment recognized in other jurisdictions to facilitate our recovery efforts.
- On March 22, 2006, Mosaic Composite Limited (U.S.) Inc. was placed under court-supervised liquidation in The Bahamas and again, Raymond Massi of RSM Richter Inc. was appointed Joint Provisional Liquidator along with Clifford Culmer of BDO Mann Judd. Mosaic Composite Limited (U.S.) Inc. is the Bahamian entity into which Olympus Uninvest Ltd. (see graphic illustration above) invested all or substantially all of its funds.

The liquidation of Mosaic Composite Limited (U.S.) Inc. is an important development in the recovery process, as a significant portion of the assets identified by the Receiver are owned by this entity.

- The Receiver has continued to examine under oath various individuals who were involved with Olympus and/or the other Norshield Companies in various capacities or who would have knowledge of the whereabouts of assets. These individuals include:

- A representative of Brooks Di Santo, the auditors of the Channel Funds (see graphic illustration above);
- Stephen Hancock, a representative of Cardinal International Financial Services, the former administrator to Olympus Uninvest Ltd. and Mosaic Composite Limited (U.S.) Inc.;
- Dale Smith, an officer and director of certain of the Norshield Companies;
- John Xanthoudakis, the principal of the Norshield Companies.

Over and above the examinations noted above, the Receiver has scheduled or is in the process of scheduling additional examinations with individuals whom we believe can shed light on what happened to your money and which could result in additional recoveries. These Court-authorized examinations will be conducted in Canada, the Caribbean as well as the USA.

- The Receiver is presently negotiating the sale of an office building located in Barbados owned by a subsidiary of Olympus United Bank and Trust SCC, in turn a subsidiary of Olympus. If these negotiations are successful, it is anticipated that the sale of this property will yield between \$2.0 and \$2.5 million.
- The Receiver has identified an additional \$1.4 million being held on deposit in The Bahamas by a third party on behalf of Mosaic Composite Limited (U.S.) Inc. and efforts are underway to recover this amount. This asset has not previously been reported to the Investors as it was identified through the liquidation process of Mosaic Composite Limited (U.S.) Inc.

## **8. Receiver's Next Report to the Court**

The Receiver is anticipating submitting its next major report to the Ontario Court in August or early September 2006. Once this report has been filed with the Court, it will be posted on the Receiver's website.

In the interim, we will endeavour to keep you informed as to the progress of the Olympus receivership through subsequent issues of this Newsletter.

## **9. Investors Representative**

The Receiver has been communicating regularly with Jean Fontaine of Stikeman Elliott LLP who was appointed by the Ontario Court to act as Representative Counsel on your behalf. We are reporting to Mr. Fontaine on the progress of our work, consulting with him on important decisions to be made and receiving his valued input on all relevant issues relating to the receivership.

We invite and encourage you to contact Mr. Fontaine by phone at (514) 397-3337, by fax at (514) 397-3487 or by email at [fontaine@stikeman.com](mailto:fontaine@stikeman.com) for any specific inquiries for which he may be of assistance.

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If you have any questions regarding the Norshield Companies or any issue raised in the Newsletter, please do not hesitate to communicate with us by calling our dedicated Norshield toll-free telephone number 1-866-869-9679 or by email at [Norshield@rsmrichter.com](mailto:Norshield@rsmrichter.com). One of our representatives will answer all inquiries as soon as possible. Also, if you prefer to receive this newsletter electronically, please provide us with your email address at the above contact information.

You should also visit the RSM Richter Inc. webpage [www.rsmrichter.com/current\\_insolvency\\_files.aspx](http://www.rsmrichter.com/current_insolvency_files.aspx) to obtain additional information regarding Olympus and the Norshield Companies.

We will provide you with regular updates regarding our efforts to recover the funds you have invested with Olympus. We thank you for your confidence and rest assured we are making every effort to maximize the recovery of your money as quickly as possible.

**RSM Richter Inc.**  
Receiver

A handwritten signature in blue ink, appearing to read "Raymond Massi".

Raymond Massi, CA, CIRP