

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE SECURITIES ACT  
R.S.O 1990, c.s.5, AS AMENDED**

BETWEEN

**ONTARIO SECURITIES COMMISSION**

Applicant

- and -

**GESTION DE PLACEMENTS NORSHIELD (CANADA) LTÉE/NORSHIELD ASSET  
MANAGEMENT (CANADA) LTD.,**

**NORSHIELD INVESTMENT PARTNERS HOLDINGS LTD./GESTION DES  
PARTENAIRES D'INVESTISSEMENT NORSHIELD LTÉE,**

**OLYMPUS UNITED FUNDS HOLDINGS CORPORATION, OLYMPUS UNITED  
FUNDS CORPORATION/CORPORATION DE FONDS UNIS OLYMPUS,**

**OLYMPUS UNITED BANK AND TRUST SCC,**

**GROUPE OLYMPUS UNITED INC./OLYMPUS UNITED GROUP INC.,**

**HONEYBEE SOFTWARE TECHNOLOGIES INC./TECHNOLOGIES DE LOGICIELS  
HONEYBEE INC. (FORMERLY NORSHIELD INVESTMENT  
CORPORATION/CORPORATION D'INVESTISSEMENT NORSHIELD), AND**

**NORSHIELD CAPITAL MANAGEMENT CORPORATION/CORPORATION  
GESTION DE L'ACTIF NORSHIELD**

Respondents

**THIRD REPORT OF THE RECEIVER  
(Dated February 2, 2006)**

**Purpose of the Third Report**

1. The purpose of this Third Report of the Receiver (the "Third Report") is as described in paragraph 9 below. As set out below, the Third Report deals with administrative issues in respect of the receivership. The Receiver will provide this Honourable Court with a full report regarding the Receiver's activities since the date of the Second Report dated

November 15, 2005 (the “Second Report”), the status of the Receiver’s recovery efforts, and other substantive issues at a later date.

## **Background**

2. Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the “Ontario Court”) dated June 29, 2005 (the “Initial Order”), RSM Richter Inc. (“RSM Richter”) was appointed for a period of fifteen days as Receiver (in such capacity, the “Receiver”) pursuant to Section 129 of the *Securities Act*, R.S.O. 1990, c.S-5, as amended, without security, of all of the assets, undertakings and properties of:
  - (a) Norshield Asset Management (Canada) Ltd. / Gestion de Placements Norshield (Canada) Ltée (“NAM”);
  - (b) Norshield Investment Partners Holdings Ltd. / Gestion des Partenaires d’Investissement Norshield Ltée (“Norshield Partners”);
  - (c) Olympus United Funds Holdings Corporation (“Olympus Holdings”);
  - (d) Olympus United Funds Corporation / Corporation de Fonds Unis Olympus (“Olympus Funds”);
  - (e) Olympus United Bank and Trust SCC (“Olympus Bank”); and
  - (f) Olympus United Group Inc. / Groupe Olympus United Inc. (“Olympus United”),(collectively, the “Original Respondents”).

A copy of the Initial Order is attached hereto as Schedule “A”.

3. Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Court dated July 14, 2005 (the “Extension Order”), the Receiver’s appointment in respect of each of the Original Respondents was continued in accordance with the terms of the Initial Order until such time as the Receiver has completed its administration of the estate herein. A copy of the Extension Order is attached hereto as Schedule “B”.

4. Pursuant to two additional Orders of the Honourable Mr. Justice Campbell of the Ontario Court dated September 9, 2005 and October 14, 2005 (the “Expanded Orders”), RSM Richter was also appointed as Receiver pursuant to Section 129 of the *Securities Act*, R.S.O. 1990, c.S-5, as amended, without security, of all of the assets, undertakings and properties of:
  - (a) Norshield Capital Management Corporation / Corporation Gestion de l’Actif Norshield (“Norshield Capital Management”); and
  - (b) Honeybee Software Technologies Inc. / Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation/Corporation d’Investissement Norshield) (“Honeybee Software”).

Copies of the Expanded Orders are attached hereto as Schedules “C” and “D” respectively.

5. By judgments of the Quebec Superior Court (Commercial Division), the Initial Order, the Extension Order and the Expanded Orders were recognized and declared enforceable in the Province of Quebec.

### **General Information**

6. The Original Respondents, Norshield Capital Management and Honeybee Software are collectively referred to as the “Norshield Companies” in this Third Report. The Initial Order, the Extension Order and the Expanded Orders are collectively referred to as the “Receivership Orders”. Capitalized terms not defined in the Third Report are as defined in the Initial Order, the Extension Order, the Expanded Orders and/or the Receiver’s Second Report. Certain information set out in the Second Report is repeated herein for ease of reference.
7. The Receiver has relied upon information and records available from the Norshield Companies and from third parties. The Receiver’s review of this information does not constitute an audit of the financial position or operating results of the Norshield Companies and/or any other entity described herein. In addition, any financial information presented by the Receiver is preliminary and the Receiver is not yet in a position to determine the

quantum of funds that may become available for distribution to creditors, investors and other stakeholders of the Norshield Companies.

8. The Receiver has relied mainly upon the September 30, 2003 audited financial statements (the most recent and complete financial statements available) of the Norshield Companies and the other entities described herein. The Receiver therefore cannot yet fully and adequately determine transactions that occurred between September 30, 2003 and June 29, 2005, the date of the Initial Order, which may materially affect the conclusions drawn by the Receiver in the Third Report.

### **Purpose of the Third Report**

9. The purpose of the Third Report is to provide this Honourable Court with an evidentiary basis upon which to make orders:
  - (a) authorizing the Receiver to take such proceedings or other steps as the Receiver considers advisable to challenge the validity and enforceability of the security allegedly granted to Mendota Capital Corporation (formerly known as Comprehensive Investor Services Ltd.) (“Mendota”) by Norshield Capital Management and Honeybee Software (the “Mendota Security”);
  - (b) authorizing and directing the Receiver to cause NAM to make an advance in the amount of \$1,000 to Norshield Partners, with a view to demanding repayment and causing Norshield Partners to default on such demand;
  - (c) appointing Jean Fontaine of the law firm of Stikeman Elliott LLP to act as representative counsel on behalf of the Retail Investors;
  - (d) approving the Communications Protocol (as defined below);
  - (e) authorizing and directing the Receiver to provide to the Service List materials in support of the application for approval of fees and disbursements of the Receiver and its counsel in which privileged and/or confidential information has been redacted;

- (f) authorizing and directing the Receiver to conduct the Retail Investor Meeting (as defined below), and approving the form and content of the Meeting Notice (as defined below); and
- (a) (g) approving the conduct of the Receiver, as disclosed in the Third Report.

### **The Mendota Security**

10. Mendota claims that it is owed in excess of \$29 million by Norshield Capital Management and \$18 million by Honeybee Software, and that it holds first ranking security on the assets of Norshield Capital Management and Honeybee Software as well as on the assets of NAM by virtue of a written guarantee granted by the latter.
11. Mendota claims that it made loans and advances to Honeybee Software and Norshield Capital Management in the aggregate amount of \$48,053,696 as at July 1, 2004.
12. On May 12, 2005, Honeybee Software and Norshield Capital Management purported to acknowledge their alleged indebtedness to Mendota and NAM purported to guarantee such indebtedness to Mendota (the “Recognition of Debt”).
13. Pursuant to the Recognition of Debt, Honeybee Software, Norshield Capital Management and NAM purported to grant hypothecs on the universality of all their moveable property. Such hypothecs were published in Quebec in the *Registre des droits personnels et reels mobiliers* on May 17, 2005 in the case of Honeybee Software and Norshield Capital and on May 18, 2005 in the case of NAM.
14. Mendota instituted foreclosure proceedings in the Province of Quebec with respect to the assets of Honeybee Software and Norshield Capital Management. The Receiver issued to Mendota a Notice to Suspend the foreclosure proceedings.
15. The assets of Honeybee Software and Norshield Capital Management represent one of the potential sources of recovery for the Investors, who will sustain a substantial shortfall in the recovery process.

16. If permitted, Mendota's foreclosure will prejudice the Investors. The Receiver has serious concerns regarding the legitimacy of the transactions purportedly giving rise to the Mendota Security. The Receiver, through its counsel, has requested Mendota to provide the Receiver with details regarding the alleged advances made by Mendota to Honeybee Software and Norshield Capital Management, but Mendota has failed to provide the Receiver with such information.
17. The Receiver seeks an Order authorizing the Receiver to take such proceedings or other steps as the Receiver considers advisable to challenge the validity and enforceability of the Mendota Security, and to examine such representatives of Mendota as the Receiver considers advisable.

#### **Norshield Partners**

18. Pursuant to the Order of this Honourable Court dated November 17, 2005, the Receiver was authorized to issue an Application for a Bankruptcy Order against all of the Norshield Companies except for Olympus Bank. Attached hereto as Schedule "E" is a copy of the Order dated November 17, 2005.
19. However, the Receiver had no factual basis upon which to issue an Application for a Bankruptcy Order against Norshield Partners. In particular, the Receiver notes that it cannot accurately determine whether any amounts are owing by Norshield Partners to other entities included in the Norshield Companies.
20. The Receiver seeks to preserve any claims that a trustee in bankruptcy of Norshield Partners may have in respect of fraudulent preferences, fraudulent conveyances, other reviewable transactions and other recourses under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA").
21. Accordingly, the Receiver seeks an Order of this Honourable Court authorizing and directing NAM to make advances in the amount of \$1,000 to Norshield Partners, with a view to demanding repayment of the advance, causing Norshield Partners to default on

such demand and issuing an Application for a Bankruptcy Order against Norshield Partners.

### **Representative Counsel**

22. The Receiver is of the view that it is appropriate and necessary for representative counsel to be appointed on behalf of the Retail Investors. The Receiver is of the view that there is a commonality of interest among the Retail Investors.
23. The Receiver recommends that Jean Fontaine (“Fontaine”) of the law firm of Stikeman Elliott LLP be appointed as representative counsel to the Retail Investors during the pendency of the receivership (in such capacity, the “Representative Counsel”).
24. As set out in the Second Report, Fontaine has been appointed as representative counsel to represent the interests of the Retail Investors in the Olympus Uninvest liquidation proceedings and as such, has already acquired knowledge of the issues relating to the present receivership and the matters affecting the Retail Investors.
25. Fontaine has advised the Receiver that he consents to an appointment as Representative Counsel. Fontaine has also advised the Receiver that he may from time-to-time require assistance from other lawyers at Stikeman Elliott LLP in order to effectively discharge his duties as Representative Counsel, should he be appointed as such.
26. Given that Representative Counsel will act solely in the interests of the Retail Investors, the Receiver recommends that the fees and disbursements of Representative Counsel be secured by and paid from a charge first on the Other Property (as defined in the Initial Order), and second, on the Debtors’ Property (as defined in the Initial Order).

### **Communications Protocol**

27. The Receiver is of the view that it is in the best interests of the Investors for the Receiver to communicate directly with provincial securities commissions and other securities industry regulators (the “Regulators”) for the purpose of passing on certain information to the Regulators with respect to the Receiver’s activities.

28. The Receiver has developed a communications protocol (the “Communications Protocol”) describing the manner in which the Receiver intends to provide information to the Regulators. A copy of the Communications Protocol is attached hereto as Schedule “F”.
29. The Receiver seeks an Order of this Honourable Court approving the Communications Protocol.

#### **Fees & Disbursements of Receiver and Counsel**

30. The Receiver seeks to have its fees and disbursements (including those of its counsel) approved by this Honourable Court. However, the Receiver notes that the relevant invoices contain a substantial amount of confidential and/or privileged information. Consequently, the Receiver is concerned that putting the invoices in the public record may prejudice the administration of the receivership.
31. The Receiver and its counsel will submit the appropriate Affidavit and other evidence in support of the application for approval of fees and disbursements. However, in order to eliminate the potential prejudice arising from full disclosure of the contents of the invoices, the Receiver and its counsel intend to redact privileged and/or confidential information that may be contained in their invoices. Unredacted copies of the invoices will be provided to this Honourable Court.
32. The Receiver seeks an Order of this Honourable Court authorizing and directing the Receiver to provide to the Service List materials in support of the application for approval of fees and disbursements of the Receiver and its counsel in which privileged and/or confidential information has been redacted.

#### **Retail Investor Meeting**

33. The Receiver has arranged a meeting for the Retail Investors on February 21, 2006 (the “Retail Investor Meeting”) in order to provide information to, and respond to questions from, the Retail Investors regarding the administration of the receivership. The Receiver has notified the Retail Investors by forwarding by regular mail written notice dated January



27, 2006 (the “Meeting Notice”) to the last known address of each of the Retail Investors. A copy of the Meeting Notice is attached hereto as Schedule “G”.

34. The Retail Investor Meeting will be held in the City of Toronto. In addition, the Receiver has arranged for meeting locations in Montreal and Vancouver with a videoconference connection to the Toronto meeting, in order to facilitate the participation of the Retail Investors in Montreal and Vancouver.
35. The Receiver seeks an Order of this Honourable Court authorizing and directing the Receiver to conduct the Retail Investor Meeting and approving the Meeting Notice.

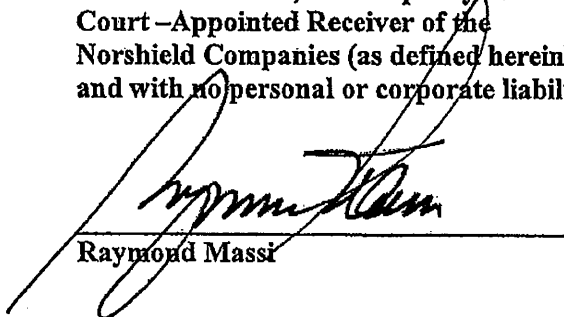
### **BMO Security**

36. Bank of Montreal (“BMO”) has advised the Receiver that it holds certain security (the “BMO Security”) given by Computershare Trust Company of Canada, in its capacity as trustee of the Olympus United Univest RRSP Fund, by its manager Norshield Asset Management (Canada) Ltd. (in such collective capacity, the “Fund”) in favour of BMO.
37. Pursuant to its terms, the BMO Security grants to BMO a security interest in all funds deposited in an account in the name of the Fund with BMO (the “Collateral Account”), and secures payment of all indebtedness and liabilities of the Fund to BMO arising pursuant to an International Swap Dealers Association, Inc. Master Agreement dated January 19, 2004 between the Fund and BMO (including the schedule attached thereto) together with a series of Trade Confirmation Letters between such parties (collectively, the “Equity Swap”).
38. The Receiver’s legal counsel has advised the Receiver that the BMO Security has been properly perfected and is enforceable. In addition, the Receiver’s counsel is of the view that BMO can assert set-off rights in respect of the Fund’s accounts with BMO.
39. BMO has advised the Receiver that it will bring a motion before this Honourable Court for approval of the retention by BMO of the funds in the Collateral Account in satisfaction of the Fund’s liabilities under the Equity Swap.

**Orders Sought**

40. The Receiver respectfully recommends that this Honourable Court grant an Order:
- (a) authorizing the Receiver to take such proceedings or other steps as the Receiver considers advisable to challenge the validity and enforceability of the Mendota Security;
  - (b) authorizing and directing the Receiver to cause NAM to make an advance in the amount of \$1,000 to Norshield Partners, with a view to demanding repayment and causing Norshield Partners to default on such demand;
  - (c) appointing Fontaine to act as Representative Counsel;
  - (d) approving the Communications Protocol;
  - (e) authorizing and directing the Receiver to provide to the Service List materials in support of the application for approval of fees and disbursements of the Receiver and its counsel in which privileged and/or confidential information has been redacted;
  - (f) authorizing and directing the Receiver to conduct the Retail Investor Meeting, and approving the form and content of the Meeting Notice; and
  - (g) approving the conduct of the Receiver as disclosed in the Third Report.

**RSM Richter Inc., in its capacity as  
Court-Appointed Receiver of the  
Norshield Companies (as defined herein),  
and with no personal or corporate liability.**



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Raymond Massi

ONTARIO SECURITIES COMMISSION  
Applicant

and

GESTON DE PLACEMENTS NORSHIELD (CANADA)  
LTÉE/NORSHIELD ASSET MANAGEMENT (CANADA)  
LTD. ET AL.

Respondents

Court File No.:05-CL-5965

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)  
Proceeding commenced in Toronto

THIRD REPORT OF THE RECEIVER  
(dated February 2, 2006)

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