

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-026694-055
ESTATE NO.: 41-332478

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF:

Ascensia Capital Inc.
(formerly known as Norbourg International Inc.)
a body politic and corporate, duly incorporated according
to law and having its head office and principal place of
business at:
615 René Lévesque West, Suite 510
Montreal, Québec H3B 1P5

Bankrupt

– and –

RSM Richter Inc.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On October 13, 2005, Ascensia Capital Inc., formerly known as Norbourg International Inc. (hereinafter referred to as "Ascensia" or the "Company"), filed an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* and RSM Richter Inc. ("Richter" or "Trustee") was appointed as trustee to the bankruptcy.

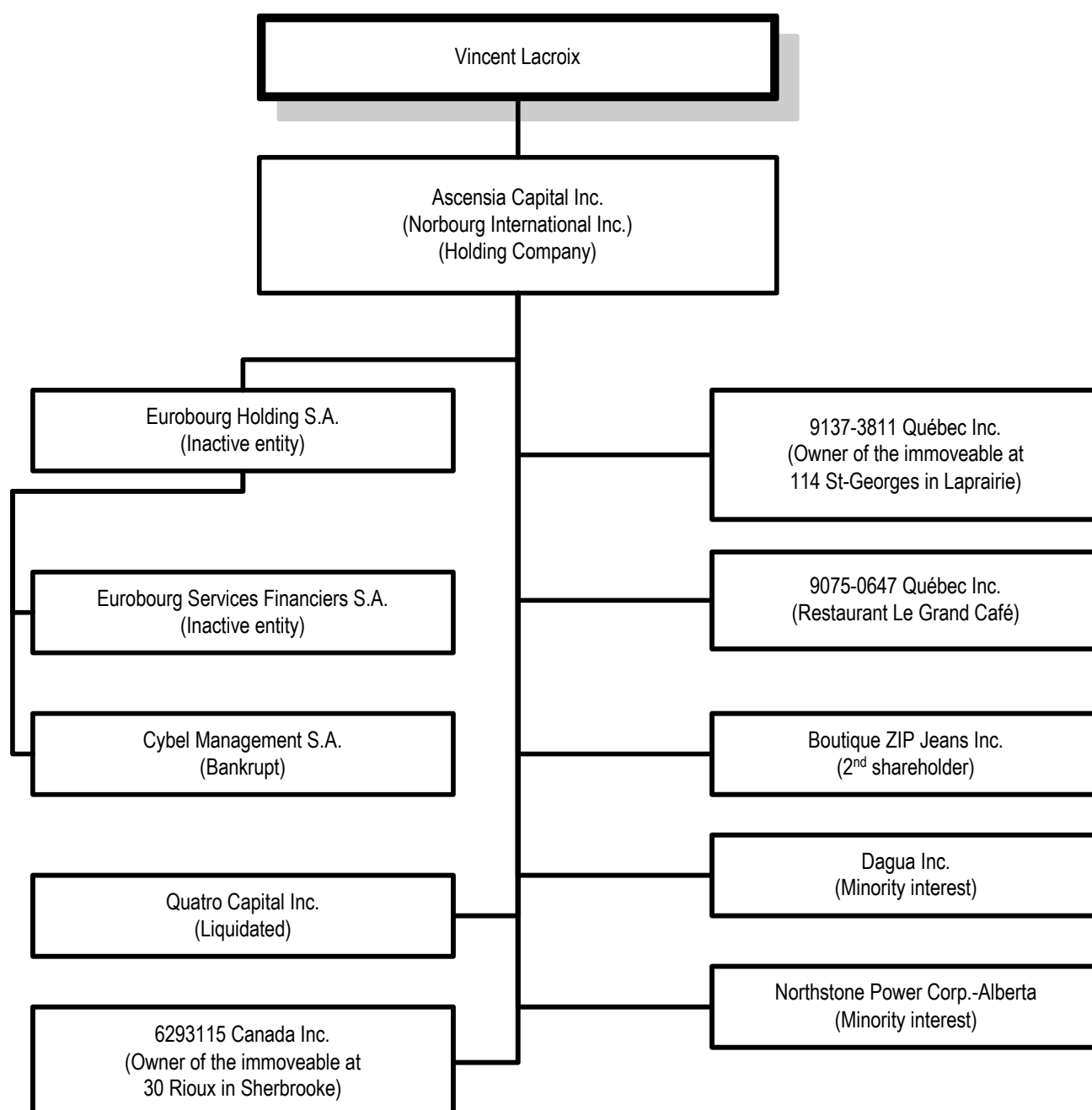
Ascensia is part of a large group of companies controlled directly or indirectly by Mr. Vincent Lacroix. We refer to this group of corporations under "Norbourg Group" or "Group".

The information contained herein was prepared from the available books and records of Ascensia. The majority of the books and records have been seized by the Royal Canadian Mounted Police ("RCMP"), a situation which has slowed down the Trustee's investigation of the Bankrupt's affairs. The Trustee did not audit the available books and records. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, accuracy or reliability of the information contained herein.

1. CORPORATE STRUCTURE

The Company was constituted in 2002 by Mr. Vincent Lacroix and, according to him, its mission, among other things, was to expand the financial network of the Norbourg Group in Europe.

The following is an overview of the corporate structure of Ascensia, in accordance with the information available as at October 13, 2005:



The following is a summary of the Company's known investments:

- The company 9137-3811 Québec Inc. owns a building located at 114 Saint-Georges Street, in the city of La Prairie, Québec. This Company let the premises to Systèmes Financiers Nortek Inc., Beaulieu Deschambault, the Company's external auditors, and Ventilation R.S. Air Inc., a company belonging to a member of the Lacroix family. It is our understanding that the latter two will be leaving the leased premises by the end of November 2005.
- The company 9075-0647 Québec Inc. operates a well-established restaurant at 1181 Union Street in Montreal, known under the name "Le Grand Café".
- Ascensia and Stéphane Asselin would be co-shareholders of Boutique ZIP Jeans inc., which has its head office at Vincent Lacroix's personal residence and no other place of business declared at the Registre des Entreprises.

- Dagua Inc. is a firm of which Ascensia owns approximately 20%. This company markets prefabricated (modular) water treatment plants.
- Northstone Power Corporation is an independent power producer located in Alberta. Ascensia would have purchased from this company bonds and debentures convertible into 30% of the capital stock of the company for an amount of \$800,000.
- Pursuant to partial information available to the Trustee, Ascensia is the major shareholder of 6293115 Canada Inc., the latter being the owner of an immovable situated at 30 Rioux Street in Sherbrooke, Quebec and on which property Ascensia holds a mortgage.

Events Immediately Preceding the Bankruptcy

On August 24, 2005, the Autorité des marchés financiers (“AMF”) obtained a freeze, cease trade and a suspension of the rights conferred by registration (broker) order under the Securities Act.

On August 25, 2005, the Minister of Finance of Québec issued an Order appointing a provisional administrator in accordance with the Securities Act.

Moreover, on August 25, 2005, the Integrated Market Enforcement Team of the RCMP conducted searches in the offices of the Norbourg Group and on the premises of certain other parties involved, seizing all the archives of the entire Norbourg Group for the period from June 2002 to August 2005.

Subsequently, on October 25, 2005, Ernst & Young was appointed liquidator of the sums held in trust for investors in the Norbourg and Evolution families of funds.

2. FINANCIAL INFORMATION

The financial information contained herein was extracted from the unconsolidated and audited financial statements as at June 30, 2003, and 2004 and unconsolidated and unaudited financial statements as at June 30, 2005. The October 13, 2005 Statement of Affairs reflects Vincent Lacroix’s estimate of the Company’s assets and liabilities on the Bankruptcy date. This financial information is unaudited and may be subject to adjustments.

2.1 Historical Financial Results

The following is an overview of the financial results of Ascensia for the last three (3) fiscal years ended June 30, 2003, 2004 and 2005, respectively. It should be noted, however, that the data set out in the following tables is not necessarily representative of reality, given the many allegations existing in this file.

Ascensia Capital Inc. Historical Financial Information (\$000's)			
	<i>June 30, 2003</i> <i>(Audited)</i>	<i>June 30, 2004</i> <i>(Audited)</i>	<i>June 30, 2005</i> <i>(Unaudited)</i>
Revenues			
Fees	\$ -	\$ -	\$ -
Other	-	-	15
	<u>-</u>	<u>-</u>	<u>15</u>
Expenses			
Rent	23	-	-
Salaries and employee benefits	-	-	44
Representation	38	-	83
Professional fees	1	-	1,344
Other expenses	-	-	323
	<u>62</u>	<u>-</u>	<u>1,794</u>
Earnings (Loss) before taxes	<u>\$ (62)</u>	<u>\$ -</u>	<u>\$ (1,779)</u>

Ascensia Capital Inc. Historical Financial Information (\$000's)			
	<i>June 30, 2003</i> <i>(Audited)</i>	<i>June 30, 2004</i> <i>(Audited)</i>	<i>June 30, 2005</i> <i>(Unaudited)</i>
Assets			
Short term			
Cash	\$ -	\$ 7	\$ (25,607)
Accounts receivable	-	-	5,991
Related parties	353	63	15,330
Income tax and sales tax receivable	-	-	236
	<u>353</u>	<u>70</u>	<u>(4,050)</u>
Capital assets	-	-	429
Investments	100	100	1,525
	<u>453</u>	<u>170</u>	<u>(2,096)</u>
Liabilities			
Short term			
Accounts payable and accrued liabilities	-	-	37
Related parties	515	132	-
	<u>515</u>	<u>132</u>	<u>37</u>
Shareholders' equity			
Capital stock	-	100	100
Retained earnings (Deficit)	(62)	(62)	(2,233)
	<u>(62)</u>	<u>38</u>	<u>(2,133)</u>
	<u>\$ 453</u>	<u>\$ 170</u>	<u>\$ (2,096)</u>

As clearly evidenced by the excerpts of the financial statement of Ascensia, this Company had no significant income and owned no substantial assets. Based on our preliminary review, it appears that, in several cases, this Company was the vehicle used to transfer the monies from the mutual funds to Vincent Lacroix and other entities.

2.2 Statement of Affairs as at October 13, 2005

The following is the Statement of Affairs as at October 13, 2005, as declared by Vincent Lacroix, president and sole shareholder of Ascensia:

Ascensia Capital Inc.	
Statement of Affairs as at October 13, 2005	
(\$000's)	
<i>As declared under oath by Vincent Lacroix</i>	
Liabilities	
Secured creditors	\$ -
Preferred creditors	-
Ordinary creditors	45
Contingent liabilities	90,000
	90,045
Assets	
Loans to brokers	424
Capital assets	370
Investments	3,705
	4,499
Deficit	\$ 85,546

i. Assets

The following is an overview of our observations regarding the principal assets of Ascensia:

- **Loans to Brokers**

Ascensia granted loans to brokers totalling \$424,000. Postdated cheques were obtained from two brokers whose respective loans total \$372,669. As for the balance, we must obtain the documents supporting these loans from among the archives currently under seizure.

- **Capital Assets**

According to Mr. Vincent Lacroix, Ascensia owns a building in Val d'Or and let a regional office to Tandem Wealth Management Inc. and another space to an unrelated lessee. This building was acquired in November 2004 at a cost of \$360,000 and the municipal valuation is \$310,000. Furthermore, renovations at a cost of \$276,000 were made to the building. These transactions would have been completed without resorting to external financing.

The capital assets are also comprised of furniture and computer equipment having a cost of \$44,000.

- **Investments**

Based on the available information, Ascensia would have the following subsidiaries:

- **9137-3811 Québec Inc.**

This company owns a building located at 114 Saint-Georges Street, in the city of La Prairie, Québec. The company's sole known asset is the building for which municipal valuation is \$325,000. Remi Deschambault, the external auditor of several companies of the Norbourg Group, sold to 9137-3811 Québec Inc. the said property for an amount of \$1,400,000 on April 16, 2004. The deed of sale mentions that the immovable is free and clear of any encumbrances to the exception of mortgages in favour of Caisse Populaire de Lafèche. The said mortgages should have been paid out within 90 days. The immovable index does not disclose any release. The purchase price was paid through the issuance of 1,000 class "A" shares and 1,399,000 class "E" shares of a \$1.00 value each of the capital stock of 9137-3811 Québec Inc. We can therefore conclude that the transaction was made as a rollover and that Ascensia had probably acquired the shares of 9137-3811 Québec Inc. after the said sale of immovable. We have obtained an informal valuation from a real estate agent who established the market value of the immovable at between \$400,000 and \$600 000. We are currently considering our legal recourses with respect to this transaction given that it is obvious that the transaction was carried out at a price substantially higher than the fair market value of the building at the time.

- **9075-0647 Québec Inc.**

This company operated a well-established restaurant at 1181 Union Street in Montreal, known under the name of Le Grand Café. The restaurant was acquired in July 2005 at a cost of \$750,000. From the date of purchase in July 2005 until November 14, 2005, the restaurant was managed by one of the former owners. The restaurant's operator interrupted business operations on November 14, 2005, without prior notice. It appears that the price paid for the restaurant is substantially higher than the fair market value of the restaurant at the time of the transaction. We sent formal notices to the former shareholders and are considering our legal recourses with respect to this transaction and the untimely interruption of operations.

- **Boutique ZIP Jeans Inc.**

This firm has its head office at Vincent Lacroix's personal residence. We currently have no information regarding this entity other than the fact that Stéphane Asselin is a co-shareholder of the company.

- **Dagua Inc.**

Ascensia would own 20% of this company. According to our research, Dagua markets prefabricated (modular) water treatment plants. Ascensia's investment in this company would be of the order of \$750,000. Furthermore, it appears that, over the past few years, Ascensia would have made significant advances to this company.

➤ **Northstone Power Corporation**

This company is an independent power producer located in Alberta. Ascensia would have purchased from this company bonds and debentures totalling \$0.8 million convertible into 30% of the capital stock of the Company. Based on available information, this company would have emerged from a restructuring under the Companies' Creditors Arrangement Act (the "CCAA") in 2002. Furthermore, it appears that, over the past few years, Ascensia would have made significant advances to this company.

➤ **6293115 Canada Inc.**

Ascensia holds a 65% majority interest in this company which owns a building located at 30 Rioux Street in the city of Sherbrooke. It is our understanding that the minority interest is held by François Cameron, a representative employed by the Norbourg Group and Jean-Guy Farah. A review of the available records reveals an investment of \$425,000 used to acquire the building. Furthermore, the Company holds a mortgage of \$260,000 granted to 6293115 Canada Inc. on November 8, 2004. The municipal valuation of the property in question is \$427,600. These transactions were carried out without resorting to external financing.

➤ **Eurobourg Holding S.A.**

This company was located in Villars-sur-Glâne, Switzerland, and was a holding company which owned two subsidiaries named Eurobourg Services Financiers S.A. and Cybel Management S.A. There seems to be very little information regarding these entities. We have not yet completed our analysis of the monies which may have been sent out of Canada. We will deal with these entities in detail with the Inspectors appointed at the meeting of creditors.

• **Other**

We have identified certain other investments in which Ascensia may hold an interest. We will complete our review in this regard and provide our conclusions to the Inspectors at a later date.

Furthermore, Ascensia has several sales tax reports (GST/QST) which have not been filed with the tax authorities. Indeed, the last report filed was the report for the quarter ended July 31, 2004. According to the Company's books, the government owes Ascensia \$236,000. The Trustee retained the services of Ascensia's chief accountant in order to assist it in preparing the missing reports to October 13, 2005.

ii. **Liabilities**

It should be noted that the exact quantum of the liabilities which existed as at October 13, 2005 will only be determined once all proofs of claims have been filed with the Trustee and that it will have had full access to the books and records of the Company. Nonetheless, the following are our comments regarding the liabilities of the Company as stated in the Statement of Affairs as at October 13, 2005:

• **Secured Creditors**

As at the Bankruptcy date, the books and records of the Company and its subsidiaries did not reflect any amounts owing to secured creditors. However, as previously mentioned, the Trustee will only be able to determine the extent of secured claims, if any, once all proofs of claims have been filed and once the Trustee

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has reviewed and collocated them. At the time of writing this Report, the Trustee had received secured claims from certain lessors of equipment.

- **Preferred Creditors**

As at the Bankruptcy date, the books and records of the Company did not reflect any amounts owing to potential preferred creditors. However, as previously mentioned, the Trustee will only be able to indicate the extent of preferred claims, if any, once all proofs of claims have been filed. Certain preferred claims may exist with respect to some employees. At the time of writing this Report, the Trustee had not received any preferred claims.

- **Ordinary Creditors**

According to the Company's Statement of Affairs, the total owed to ordinary creditors is approximately \$45,000. As at the date of preparation of this Report, the books and records of the Company were not up to date; therefore, the claims received from ordinary creditors may differ from the amounts reflected in the Statement of Affairs. At the time of drafting this Report, the Trustee had not received any ordinary claims.

- **Contingent Liabilities**

The amount reflected in the Statement of Affairs represents the estimated deficit arising from the mutual funds showing a deficit which will most probably be claimed by the Appointed Liquidator. This deficit originates mainly from the unlawful withdrawal of various amounts, possibly totalling between \$92 million and \$97 million, from the mutual funds under management. It is our understanding that the Appointed Liquidator will file a proof of claim at the meeting of creditors.

- **Other**

The Trustee has received certain proofs of property claims from various creditors. The Trustee is currently reviewing these claims and will make its recommendations to the Estate Inspectors.

3. TRUSTEE'S PRELIMINARY ADMINISTRATION

a) Hiring of Employees and Administration

The Trustee has not continued the Company's operations. However, the Trustee did retain the services of a former employee of the Norbourg Group to assist the Trustee in its administration and, more particularly, in updating the accounting records and overdue governmental filings (GST/QST and deductions at source).

b) Conservatory Measures

Since the Bankruptcy date, the Trustee has taken various conservatory measures, including:

- Changing the locks and controlling access to the Company's premises;
- Carrying out a physical count of equipment and other assets;

- Insuring the Company's assets given the refusal of the Company's insurer to add the Trustee to the existing insurance policies, which policies were to expire on December 1, 2005;
- Opening trust bank accounts;
- Steps and proceedings in order to take possession of books, records and other documents of the Company and its subsidiaries;
- Guarantee to the various services required, such as electricity, telephone and the alarm system.

c) Sale of Assets

The Trustee obtained offers for certain assets of the Company and its subsidiaries which include the office furniture, office equipment and computer equipment as well as a motor vehicle and a building. The offers will be presented to the Inspectors.

d) Review of Preferential Payments and Reviewable Transactions

The Trustee began its review of the various transactions which took place within Ascensia in order to determine the extent of the reviewable transactions and preferential payments and other doubtful transactions. It is obvious that several of these transactions have taken place. Once the review will be completed, it will be presented to the Inspectors who will instruct the Trustee in this regard.

However, in light of the litigious nature of the transactions having taken place and in order not to jeopardize ongoing legal procedures, the Trustee's review will be dealt with only in private with the Inspectors.

4. ESTIMATED REALIZATION

The following is a summary of the gross proceeds of realization estimated by the Trustee with respect to the assets belonging to Ascensia:

Ascensia Capital Inc. Preliminary Statement of Estimated Realization as at October 13, 2005	
Cash	\$ 1,000
Accounts receivable	360,000
Income tax and GST/QST 2004 fiscal year	240,000
Income tax and GST/QST 2005 fiscal year	<i>to be determined</i>
Investments	700,000
Capital assets	300,000
Surplus arising from subsidiaries	<i>to be determined</i>
Recovery of reviewable transactions	<i>to be determined</i>
	<u><u><i>to be determined</i></u></u>

It is important to specify that the above-mentioned values relate only to the identifiable assets at the Bankruptcy date and do not take into account any realization with respect to reviewable transactions or preferential payments.

5. DIVIDEND TO CREDITORS

Given the preliminary stage of the Trustee's administration, it is currently impossible to determine the extent of the dividend to be paid to the creditors of Ascensia. However, it should be noted that the investors in the various funds, who are represented by the Appointed Liquidator, will represent by far the largest claim in the Bankruptcy and will receive the majority of the dividend eventually paid out.

6. CONCLUSION

During recent meetings, the Autorité des marchés financiers, the Appointed Liquidator, namely Ernst & Young, and the Trustee, namely RSM Richter Inc., agreed to pool their resources and work together in order to maximize recovery efforts for the benefit of all those adversely affected in this file. This approach will avoid a duplication of tasks and will allow a better cost control, a concerted action and an investigation and efficient attack of various transactions having adversely affected the various stakeholders.

DATED at Montreal, this 23rd day of November 2005.

RSM Richter Inc.
Trustee