

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTREAL  
COURT NOS.: 500-11-026696-050  
500-11-026692-059  
500-11-026693-057  
ESTATE NOS.: 41-332480  
41-332476  
41-332477

SUPERIOR COURT  
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF:

Norbourg Asset Management Inc.,  
Perfolio Asset Management Inc.,  
Evolution Funds Inc.

bodies politic and corporate, duly incorporated according  
to law and having their head office and principal place of  
business at:

615 René Lévesque West, Suite 510  
Montreal, Québec H3B 1P5

**Bankrupts**

– and –

**RSM Richter Inc.**

**Trustee**

---

## TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On October 13, 2005, Norbourg Asset Management Inc. ("NGA"), Perfolio Asset Management Inc. ("Perfolio") and Evolution Funds Inc. ("Evolution") (hereinafter collectively referred to as the "Companies") filed separate assignments in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* and RSM Richter Inc. ("Richter" or "Trustee") was appointed as Trustee to the bankruptcies.

NGA, Perfolio and Evolution are part of a large group of corporations controlled directly or indirectly by Mr. Vincent Lacroix. We refer to this group of corporations under "Norbourg Group" or "Group".

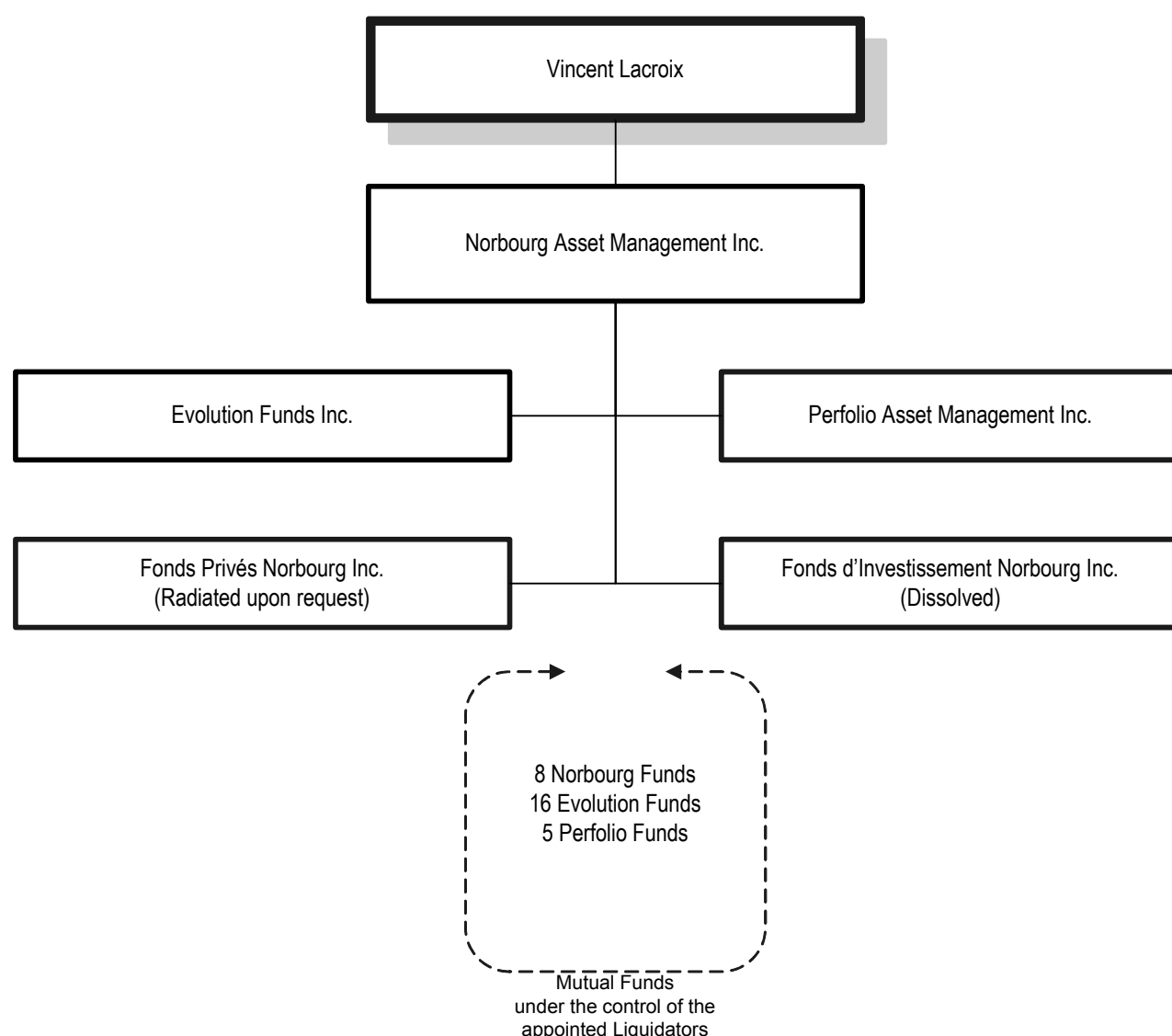
**The information contained herein was prepared from the available books and records of the Bankrupts. The majority of the books and records have been seized by the RCMP, a situation which has slowed down the Trustee's investigation of the Bankrupts' affairs. The Trustee did not audit the available books 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

NGA, formerly known as Norbourg Financial Services Inc., was constituted in January 2001. It holds 100% of the shares of Evolution (formerly Gestion Teraxis Inc.) and Perfolio (formerly Services Financiers DR. Inc. and 2758-7252 Québec Inc.), which were founded, respectively, in September 1999 and August 1990. Vincent Lacroix is the sole shareholder of NGA. According to Vincent Lacroix, the principal mission of NGA and its subsidiaries is to manage the assets of each of the mutual funds. NGA is a licensed mutual fund manager whose license was suspended pursuant to the freeze order, and is the promoter of the eight (8) Norbourg funds, the sixteen (16) Evolution funds and the five (5) Perfolio funds.

*(Français – au verso)*

The corporate structure is as follows:



Evolution Funds Inc. is a company acquired from the Caisse de dépôt et placement du Québec on or about December 19, 2003 for an amount of \$6 million, without resorting to financing. The funds so acquired were called Capital Teraxis and Evolution Funds. All the funds' financial transactions were carried out through Evolution. Evolution was the link between the broker and the custodian (Northern Trust). Evolution generated its revenues from the management, administration and operating fees invoiced to the various funds.

Perfolio resulted from the acquisition by NGA of Services Financiers DR in August 2004 for an amount of \$1.2 million paid in cash and without financing. The brokerage licence held at that time allowed for the management of the five (5) Perfolio funds. These funds were funds of funds, of which approximately 20% was invested in the Norbourg funds. Perfolio's revenues arose from the management fees collected monthly from the Perfolio funds.

#### **Events Immediately Preceding the Bankruptcy**

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

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 Royal Canadian Mounted Police (“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 audited financial statements as at June 30, 2003 and 2004 for NGA and as at December 18, 2003 and November 30, 2004 for Evolution and the unconsolidated and unaudited internal financial statements as at June 30, 2005 for NGA and August 25, 2005 for Evolution. The October 13, 2005 Statement of Affairs reflects the best estimate of the Companies’ affairs. 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 NGA and Evolution for the last three (3) fiscal years ended in 2003, 2004 and 2005. 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. We do not currently have the historical financial statements of Perfolio.

As evidenced by the financial statement excerpts set out hereinafter, the Companies have no major assets. It is important to note that the various funds represent trusts, either by virtue of the Civil Code of Quebec or the Ontario laws and therefore do not form part of the property of the Bankrupts.

Norbourg Asset Management Inc.

Norbourg Asset Management 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>
<b>Revenues</b>			
Management fees	\$ 1,097	\$ 750	\$ 554
Research fees	1,475	1,500	708
Consulting fees	-	2,120	880
Other	62	30	148
	<u>2,634</u>	<u>4,400</u>	<u>2,290</u>
<b>Expenses</b>			
Salaries and employee benefits	995	1,589	1,608
Advertising	89	302	432
Professional fees	175	356	799
Other expenses	883	1,161	1,281
	<u>2,142</u>	<u>3,408</u>	<u>4,120</u>
<b>Earnings (Loss) before taxes</b>	<u>\$ 492</u>	<u>\$ 992</u>	<u>\$ (1,830)</u>
<b>Imputed income according to the various</b>			
<b>legal proceedings</b>	(2,275)	(3,620)	<i>To be determined</i>
<b>Adjusted losses</b>	<u>\$ (1,783)</u>	<u>\$ (2,628)</u>	

Norbourg Asset Management 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>
<b>Assets</b>			
<b>Short term</b>			
Cash	\$ 319	\$ 1,082	\$ (132)
Accounts receivable	38	214	844
Related parties	2,122	2,111	2,780
Income tax and sales tax receivable	-	-	112
Prepaid expenses	19	71	57
	<u>2,498</u>	<u>3,478</u>	<u>3,661</u>
Capital assets	489	729	952
Investments	-	3,811	4,936
	<u>\$ 2,987</u>	<u>\$ 8,018</u>	<u>\$ 9,549</u>
<b>Liabilities</b>			
<b>Short term</b>			
Accounts payable and accrued liabilities	125	173	316
Related parties	9	-	3,160
	<u>134</u>	<u>173</u>	<u>3,476</u>
<b>Shareholders' equity</b>			
Capital stock	4,850	8,850	8,850
Retained earnings (Deficit)	(1,997)	(1,005)	(2,777)
	<u>2,853</u>	<u>7,845</u>	<u>6,073</u>
	<u>\$ 2,987</u>	<u>\$ 8,018</u>	<u>\$ 9,549</u>

Evolution Funds Inc.

Evolution Funds Inc. Historical Financial Information (\$000's)			
	<i>December 18, 2003</i> <i>(Audited)</i>	<i>November 30, 2004</i> <i>(Audited)</i>	<i>Not available</i>
<b>Revenues</b>			
Revenues from the Evolution funds	\$ 2,986	\$ 2,716	
Redemption of units	296	519	
	<u>3,282</u>	<u>3,235</u>	
<b>Expenses</b>			
Management fees	1,259	1,571	
Commissions	768	711	
Salaries and employee benefits	494	589	
Other expenses	3,584	1,527	
	<u>6,105</u>	<u>4,398</u>	
<b>Earnings (Loss) before taxes</b>	<u>\$ (2,823)</u>	<u>\$ (1,163)</u>	

Evolution Funds Inc. Historical Financial Information (\$000's)			
	<i>December 18, 2003</i> <i>(Audited)</i>	<i>November 30, 2004</i> <i>(Audited)</i>	<i>August 25, 2005</i> <i>(Unaudited)</i>
<b>Assets</b>			
<b>Short term</b>			
Cash	\$ (1,021)	\$ 210	\$ 251
Accounts receivable	795	332	45
Related parties	601	31	-
Deferred income tax	-	-	413
Prepaid expenses	86	10	25
	<u>461</u>	<u>583</u>	<u>734</u>
Capital assets	132	50	44
Other	6,740	6,348	5,865
	<u>\$ 7,333</u>	<u>\$ 6,981</u>	<u>\$ 6,643</u>
<b>Liabilities</b>			
<b>Short term</b>			
Accounts payable and accrued liabilities	1,383	862	354
Related parties	-	3,420	4,308
	<u>1,383</u>	<u>4,282</u>	<u>4,662</u>
Long term debt	<u>2,141</u>	<u>1</u>	<u>-</u>
<b>Shareholders' equity</b>			
Capital stock	8,868	8,868	8,868
Retained earnings (Deficit)	(5,059)	(6,170)	(6,887)
	<u>3,809</u>	<u>2,698</u>	<u>1,981</u>
	<u>\$ 7,333</u>	<u>\$ 6,981</u>	<u>\$ 6,643</u>

## 2.2 Statements of Affairs as at October 13, 2005

The following is a summary of the Statements of Affairs as declared by Mr. Vincent Lacroix, president of NGA, Perfolio and Evolution, as at October 13, 2005 (Bankruptcy date):

<b>Norbourg Asset Management Inc.</b>			
<b>Statements of Affairs as at October 13, 2005</b>			
(\$000's)			
<i>As declared under oath by Vincent Lacroix</i>			
	NGA	Evolution	Perfolio
<b>Liabilities</b>			
Secured creditors	\$ -	\$ -	-
Preferred creditors	-	-	-
Ordinary creditors	125	-	-
Contingent liabilities	90,000	90,000	90,000
	90,125	90,000	90,000
<b>Assets</b>			
Capital assets	100	100	-
<b>Deficit</b>	\$ (90,025)	\$ (89,900)	\$ (90,000)

### i. Assets

The following is our preliminary observations regarding the principal assets of NGA, Perfolio and Evolution:

- **Capital Assets**

NGA's documents in the possession of the Trustee reflect capital assets having a cost of \$967,000, comprised mainly of computer equipment, office furniture and telephone equipment.

Evolution's documents in the possession of the Trustee reflect office furniture and computer equipment at a cost of \$287,000.

It should be noted that the realizable value of these assets will likely be nominal.

### ii. Liabilities

The exact quantum of the respective liabilities which existed as at October 13, 2005 will only be determined once all proofs of claims have been filed by the creditors and the Trustee is given full access to the books and records of the Companies. Nonetheless, the following is a summary of the liabilities of the Companies as reflected in the Statements of Affairs as at October 13, 2005:

- **Secured Creditors**

As at the Bankruptcy date, the books and records of the Companies and in the possession of the Trustee 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 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 in the possession of the Trustee 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 employees. At the time of writing of this Report, the Trustee had received preferred claims totalling \$17,000.

- **Ordinary Creditors**

According to NGA's Statement of Affairs, the total owed to ordinary creditors is approximately \$125,000. As at the date of preparation of this Report, the books and records of the Companies were not all in possession of the Trustee nor entirely 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 received ordinary claims totalling some \$250,000 in NGA, \$230,000 in Perfolio and \$100,000 in Evolution.

- **Contingent Liabilities**

The amount reflected in the Statements 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 principally 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 Companies' premises;
- Carrying out a physical count of equipment and other assets;
- Insuring the Company's assets given the refusal of the Companies' insurer to add the Trustee to the existing insurance policies, which policies were to expire on December 1, 2005;
- Opening trust bank accounts;
- Dismissal of the directors of Evolution and Perfolio;
- Steps and proceedings taken in order to take possession of the books, records and other documents of the Companies;
- Guarantee of various services required, such as electricity, telephone and the alarm system.

**c) Sale of Assets**

The Trustee initiated an informal call for tenders in order to sell certain assets of the Companies which include the office furniture, office equipment and computer equipment as well as a motor vehicle. 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 the Companies 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 is 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 estimated gross proceeds of realization with respect to the assets belonging to NGA, Evolution and Perfolio:

<b>Norbourg Asset Management Inc.</b>			
<b>Preliminary Statement of Estimated Realization</b>			
<b>as at October 13, 2005</b>			
	<b>NGA</b>	<b>Evolution</b>	<b>Perfolio</b>
Cash	\$ 40,000	\$ 20,000	\$ 2,000
Accounts receivable	30,000	-	-
Income tax and GST/QST 2004 fiscal year	145,000	-	-
Income tax and GST/QST 2005 fiscal year	<i>to be determined</i>	-	-
Capital assets	75,000	5,000	-
Recovery of fraudulent transactions	<i>to be determined</i>	<i>to be determined</i>	<i>to be determined</i>
	<i>to be determined</i>	<i>to be determined</i>	<i>to be determined</i>

It is important to specify that the above-mentioned values relate only to the identifiable assets on 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 NGA, Evolution and Perfolio. 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 23<sup>rd</sup> day of November 2005.

**RSM Richter Inc.**  
Trustee