

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
AND ARRANGEMENT INVOLVING OLYMPUS
UNITED FUNDS CORPORATION / CORPORATION
DE FONDS UNIS OLYMPUS**

**OLYMPUS UNITED FUNDS CORPORATION /
CORPORATION DE FONDS UNIS OLYMPUS, BY ITS
RECEIVER, RSM RICHTER INC.**

APPLICANT

**SEVENTH REPORT OF THE MONITOR
DATED OCTOBER 15, 2013**

INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated June 29, 2005 and by subsequent orders of the Court, RSM Richter Inc. (now Richter Advisory Group Inc.) (“**Richter**”) was appointed as receiver (the “**Receiver**”) of Olympus United Funds Corporation/Corporation de Fonds Unis Olympus (the “**Company**”) and certain other related entities identified below (collectively, the “**Norshield Companies**”).
2. For ease of reference, capitalized terms not otherwise defined in this Seventh Report are as defined in the Initial Order or the Plan, each as defined below.
3. As part of its Court-ordered mandate to identify and realize upon the assets of the Company, the Receiver determined that the Company had potential claims against

KPMG LLP (“**KPMG**”), which reported upon certain of the audited financial statements of the Company.

4. KPMG denied these claims but, without admission of wrongdoing, agreed to a settlement with the Receiver pursuant to which KPMG agreed to pay \$7.5 million (the “**Settlement Amount**”) to the Company for distribution to creditors of the Company holding Proven Claims.
5. The settlement with KPMG was conditional upon, among other things, a full release of KPMG pursuant to a plan of compromise and arrangement (the “**Plan**”) to be filed by the Company pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
6. In accordance with the settlement between the Receiver and KPMG, the Receiver sought and obtained from the Court on September 7, 2011 an Order (the “**Initial Order**”) granting the Company protection under the CCAA and appointing Richter as Monitor for the purpose of these CCAA proceedings (the “**Monitor**”). A copy of the Initial Order is attached as Exhibit “**A**”.
7. The Company’s plan pursuant to the CCAA (the “**Plan**”) was approved by the requisite majorities of creditors and was sanctioned by Order of the Court dated March 19, 2012 (the “**Sanction Order**”). By Order of the Court dated September 17, 2012, certain Late Claims (as defined therein) were admitted as Proven Claims for the purpose of the Plan (the “**Late Claims Order**”). Copies of the Plan, Sanction Order and Late Claims Order are attached hereto as Exhibits “**B**”, “**C**” and “**D**”.
8. The Plan Conditions were satisfied on October 16, 2012 and the Monitor filed a Certificate with the Court confirming that the Plan Implementation Date had occurred as of that date.
9. The Monitor has distributed the Settlement Amount *pro rata* to all creditors holding Proven Claims as at the date of the Late Claims Order. A limited number of the cheques issued by the Monitor to creditors holding Proven Claims were not deliverable due to an address change by the creditor and have been returned to the Monitor. If such funds

remain unclaimed, the Monitor will address the treatment of such funds in a later report to the Court.

10. Documents relating to the CCAA Proceedings, including notices, reports of the Monitor and Orders rendered by the Court, have been posted on the Monitor's website at www.rsmrichter.com/Restructuring/Olympus.aspx.

PURPOSE OF THE REPORT

11. The purpose of this report ("**Seventh Report**") is to provide the Court with the evidentiary basis upon which to make an order extending the Stay Period for a period of one year from October 31, 2013 to October 31, 2014.

TERMS OF REFERENCE

12. In preparing the Seventh Report and making the comments contained herein, the Monitor has relied in part upon information and records available from the Company (including the September 30, 2003 audited financial statements of the Company and the other Norshield Companies, being the most recent and complete financial statements available) and certain related entities, as well as from third parties, including the Joint Custodians, the Olympus Univest JOL's and the Mosaic JOL's (each as defined below) (collectively, the "**Information**"). As noted in the Receiver's reports to the Court, the Receiver, and as a consequence the Monitor, have been unable to fully determine all transactions that occurred affecting the Company and the other Norshield Companies prior to June 29, 2005, the date of the Receiver's appointment.
13. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. Future oriented financial information referred to or relied upon by the Monitor as described in the Seventh Report is based on assumptions regarding future events and conditions that are not ascertainable at this time and therefore such future oriented financial information

remains subject to change. In particular, information presented by the Monitor regarding potential distributions to the Creditors of the Company, remains subject to change in the event further information becomes available to the Monitor. Any such additional information could affect the conclusions drawn by the Monitor in the Seventh Report.

14. Unless otherwise stated, all dollar amounts contained in the Seventh Report are expressed in Canadian currency.

OVERVIEW OF THE NORSHIELD RECEIVERSHIP

15. On June 28, 2005, the Ontario Securities Commission (“**OSC**”) sought and obtained from the Court an Order appointing Richter as the Receiver of the following:
- (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;
 - (c) Olympus United Funds Holdings Corporation;
 - (d) the Company;
 - (e) Olympus United Bank and Trust SCC (“**Olympus Bank**”); and
 - (f) Olympus United Group Inc. / Groupe Olympus United Inc. (“**Olympus Group**”),
- (collectively, the “**Original Respondents**”).
16. The Receiver’s appointment was continued by Order of the Court dated July 14, 2005 and, by Orders dated September 9, 2005 and October 14, 2005, Richter was also appointed as Receiver of the following:
- (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**”).

17. The Original Respondents, Norshield Capital Management and Honeybee Software are referred to herein as the “**Norshield Companies**”.
18. Prior to the Receiver’s appointment, NAM carried on business as the manager and advisor of a variety of hedge funds and alternative investment products offered across Canada by Olympus Group. Those products were sold primarily as classes of preferred shares in the Company. NAM was registered as an investment advisor under both Ontario and Quebec securities laws. Olympus Group was registered under Ontario securities law as a limited market dealer and mutual fund dealer.
19. On May 2, 2005, the Company announced the deferral of redemptions in a number of the funds that comprised part of its share structure. Thereafter, the OSC issued a series of orders suspending the registrations of NAM and Olympus Group. The OSC also ordered that all client accounts of Olympus Group be frozen and no withdrawals from such accounts be permitted. Finally, following a review of NAM’s operations by Richter as monitor, the OSC sought the appointment of the Receiver in June 2005.

THE NORSHIELD INVESTMENT STRUCTURE

20. The Receiver has determined that, as at June 2005, approximately 1900 Canadian retail investors (“**Retail Investors**”), a significant number of whom reside in Ontario, held investments in the Company in the amount of approximately \$159 million. The investment structure employed by the Company and the other Norshield Companies was complex, costly to maintain and spanned Canada, Barbados and the Commonwealth of The Bahamas (the “**Bahamas**”).
21. The Company made significant investments in its wholly-owned subsidiary, Olympus Bank in Barbados. Olympus Bank held investments in Olympus Uninvest Ltd. (“**Olympus Uninvest**”) in the Bahamas. These investments were then co-mingled in Olympus Uninvest with investments received from Canadian pension funds and financial institutions and individuals and entities whose investments were in cash/cash equivalents and/or alleged contributions “in kind”.

22. Olympus Uninvest held substantial investments in Mosaic Composite Limited (U.S.), Inc. ("**Mosaic**"). Mosaic, in turn, held investments in both hedged and non-hedged assets. The hedged assets were predominantly comprised of two cash settled equity barrier call options with Royal Bank of Canada, which were consolidated into a single option on March 31, 2004 (referred to in the reports of the Receiver as the "**RBC SOHO Option**") while the non-hedged assets consisted mainly of investments in a number of private entities, namely:
- (a) Channel Fixed Income Fund Ltd.;
 - (b) Channel F.S. Fund Ltd.;
 - (c) Channel Technology Fund Ltd.; and
 - (d) Channel Diversified Private Equity Fund Ltd.
- (collectively, the "**Channel Funds**").
23. Given the structure and flow of investments within the Norshield investment structure, the Receiver determined that it would be necessary to take steps to safeguard the assets of Olympus Bank in Barbados and Olympus Uninvest and Mosaic in the Bahamas.
24. In July 2005, the Central Bank of Barbados seized management and control of Olympus Bank. Thereafter, following negotiations with the Central Bank of Barbados, Richter and Brian F. Griffiths & Company, a Barbados accounting firm, were appointed Joint Custodians of Olympus Bank (the "**Joint Custodians**") by Order of the Barbados High Court of Justice.
25. In the Bahamas, Raymond Massi ("**Massi**"), a partner at Richter and G. Clifford Culmer ("**Culmer**"), a partner of BDO Mann Judd, an accounting firm located in Nassau, Bahamas, sought and obtained their appointment as joint official liquidators of Olympus Uninvest by Order of the Supreme Court of the Commonwealth of The Bahamas ("**Olympus Uninvest JOL's**") in February 2006. Culmer and Massi also sought and obtained from the Bahamas Court their appointment as joint receivers of Mosaic in January 2006, as joint provisional liquidators of Mosaic in March 2006 and ultimately as joint official liquidators of Mosaic ("**Mosaic JOL's**") in January 2007.

26. In addition to the inherent difficulties posed by the complexity of the Norshield investment structure, the task of identifying and realizing upon the assets of the Norshield Companies, Olympus Bank, Olympus Uninvest and Mosaic has been compounded by incomplete financial records, missing financial information and, in certain cases, the destruction of key books and records. The Receiver and/or the Olympus Uninvest and Mosaic JOL's have conducted examinations of key individuals involved with the Norshield investment structure. While those examinations have assisted the recovery of certain assets, the Receiver has been unable to fully and adequately determine transactions that occurred between September 30, 2003 (the date of the last audited financial statements for the Norshield Companies) and the date of the Receiver's appointment on June 29, 2005.

FURTHER DISTRIBUTIONS TO CREDITORS OF THE COMPANY

27. Section 5.5 of the Plan provides that the Monitor shall distribute to the Creditors of the Company any amounts in the possession of the Monitor other than the Settlement Amount which will be available from the receivership of the Company for distribution to the Creditors of the Company, as determined by the Monitor in its sole discretion.
28. Pursuant to Section 10.1 of the Plan, the Plan Completion Date shall occur upon receipt by the Monitor of a notice from the Receiver confirming that there is no likelihood of additional funds becoming available for distribution to Creditors in accordance with Section 5.5 of the Plan. At that point, the Sanction Order authorizes and directs the Monitor to file a certificate with the Court confirming that the Plan has been completed, which will also have the result of discharging the Monitor and releasing it from further obligations or responsibilities under the Plan.
29. As of the date of this Seventh Report, the Receiver anticipates that additional funds will be available from the receivership of the Company for distribution to the Creditors. However, the Receiver is unable to determine at this point when those funds will become available. Funds will only be made available to the Receiver for distribution to the Creditors following completion of the claims processes currently underway in Barbados

with respect to Olympus Bank and in the Bahamas with respect to Olympus Uninvest and Mosaic.

30. Numerous claims have been filed with the Olympus Uninvest and Mosaic JOL's as part of the claims processes being conducted in the Bahamas. While certain of those claims are not disputed by the Olympus Uninvest and Mosaic JOL's, there are a number of significant claims which have not been or which will not be accepted in whole or in part by the Olympus Uninvest and Mosaic JOL's. The Mosaic JOL's have resolved a number of these significant claims resulting in the withdrawal of such claims, which will ultimately benefit the Retail Investors. However, there are a large number of unresolved claims within the Olympus Uninvest estate. The Olympus Uninvest JOL's will be unable to carry out a distribution to the creditors of that estate until such time as any disallowances of such contested claims by the Olympus Uninvest JOL's have been approved by the supervising Court in the Bahamas or such claims have been otherwise resolved by the parties.
31. There are far fewer claims in Barbados in the liquidation of Olympus Bank. The Joint Custodians have resolved the most significant competing claim resulting in the withdrawal of such claim, which will ultimately benefit the Retail Investors. The treatment of the claims in the liquidation of Olympus Bank and the distribution of funds available to the creditors of Olympus Bank will be completed subject to the approval of the Barbados High Court of Justice.
32. At this stage, the Monitor is unable to determine the precise timing to complete the claims processes currently ongoing in the liquidations of Olympus Bank, Olympus Uninvest and Mosaic. However, the Receiver remains optimistic that this process can be substantially completed within the next 12 months.
33. In the circumstances, the Receiver and the Monitor have therefore determined that it is appropriate to extend the Stay Period for a corresponding period of time in order to preserve the CCAA Proceeding for the purpose of carrying out any further distribution of funds to Creditors holding Proven Claims. The claims process that was completed within the CCAA proceedings clearly determines and identifies the Creditors holding Proven

Claims within the receivership proceedings and therefore provides a definite framework within which further distributions may be completed. In the Monitor's view, maintaining the CCAA proceedings will be more cost effective to carry out any further distributions to Creditors holding Proven Claims than doing so within the receivership proceeding.

MONITOR'S RECOMMENDATIONS

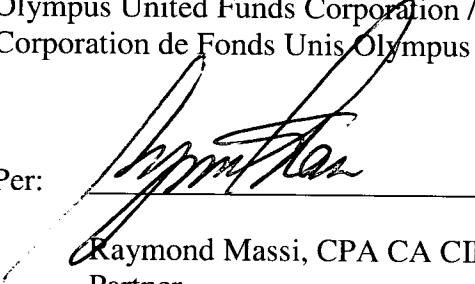
34. The Monitor believes that the Creditors would not be prejudiced by an extension of the Stay Period to October 31, 2014. The Company, through the Receiver, has acted and continues to act in good faith and with due diligence in all matters and that circumstances exist that make an extension of the Stay Period appropriate.
35. For the reasons set out above, the Monitor therefore recommends that the Court grant an order:
- (i) extending the Stay Period from October 31, 2013 to October 31, 2014;
 - (ii) approving the Seventh Report and the activities of the Monitor described herein.

All of which is respectfully submitted at Montreal, Quebec this  day of October, 2013.

RICHTER ADVISORY GROUP INC.
(formerly RSM RICHTER INC.)

in its capacity as Monitor of
Olympus United Funds Corporation /
Corporation de Fonds Unis Olympus

Per:


Raymond Massi, CPA CA CIRP
Partner

Exhibits

Exhibit "A"	Initial CCAA Order
Exhibit "B"	Plan of Compromise and Arrangement
Exhibit "C"	Sanction Order
Exhibit "D"	Late Claims Order

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT INVOLVING OLYMPUS UNITED FUNDS
CORPORATION / CORPORATION DE FONDS UNIS OLYMPUS
OLYMPUS UNITED FUNDS CORPORATION / CORPORATION DE FONDS UNIS OLYMPUS, BY ITS RECEIVER, RSM RICHTER INC.

APPLICANT

Court File No.: CV-11-9368-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceedings commenced at **Toronto**

SEVENTH REPORT OF THE MONITOR

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Olympus