

**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.**

Respondents

**SUMMARIZED VERSION OF THE
FIRST REPORT OF THE RECEIVER
(Dated July 12, 2005)**

Background

1. Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 (the "Initial Order"), RSM Richter Inc. ("Richter") was appointed 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:

- Gestion de Placements Norshield (Canada) Ltée / Norshield Asset Management (Canada) Ltd. (“NAM”);
 - Norshield Investment Partners Holdings Ltd. / Gestion des Partenaires d’Investissement Norshield Ltée (“Norshield Partners”);
 - Olympus United Funds Holdings Corporation (“Olympus Holdings”);
 - Olympus United Funds Corporation / Corporation de Fonds Unis Olympus (“Olympus Funds”);
 - Olympus United Bank and Trust SCC (“Olympus Bank”);
 - Groupe Olympus United Inc. / Olympus United Group Inc. (“Olympus Group”) (collectively, the “Norshield Group”).
2. The purpose of this First Report of the Receiver (the “First Report”) is to provide this Honourable Court with a preliminary update in respect of the activities of the Receiver since the date of the Initial Order, the progress of the receivership generally, and to provide a factual basis upon which this Honourable Court may grant certain relief recommended by the Receiver.
 3. Prior to its appointment as Receiver, pursuant to certain Orders of the Ontario Securities Commission (the “Commission”), on June 1, 2005 NAM retained Richter to, among other things, monitor the financial and business affairs of NAM, Olympus Funds and Olympus Bank.
 4. The Receiver was appointed pursuant to the Application of the Commission in order to protect the interests of the approximately 2,000 individual Canadian investors (collectively, the “Retail Investors”) who invested the approximate aggregate amount of \$160 million (the “Investment Funds”) with the Norshield Group.
 5. The Receiver is of the view that, in order to protect the interests of the Retail Investors, it is necessary and advisable that the Receiver be authorized by this Honourable Court to commence proceedings and/or become actively involved in ongoing proceedings in

jurisdictions outside Canada, including the Bahamas, Barbados, other Caribbean jurisdictions and the United States.

Activities of the Receiver

6. Since the date of the Initial Order, the Receiver has:
 - (a) taken steps to secure the Norshield Group's known business premises in Montreal, Toronto and Vancouver;
 - (b) taken steps to secure the Norshield Group's bank and other accounts. The Receiver forwarded letters to all known banks advising them to freeze any funds in the Norshield Group's accounts (with the exception of the outstanding authorized disbursements approved by Richter as Monitor prior to the Receivership), requesting that such banks confirm account balances, and provide bank statements and any additional banking information related to the Norshield Group;
 - (c) forwarded letters to all known fund administrators and fund managers (collectively, the "Administrators") requesting statements of account regarding portfolios and securities under their management and/or administration as well as any information related to any other investment programs related to the Norshield Group; and instructed the Administrators to advise the Receiver of any instructions they may have received to liquidate the investments under their management and/or administration, as well as any instructions inconsistent with the investment strategies relating to the portfolio/trading programs, etc.;
 - (d) taken steps to safeguard, secure and back-up the physical and electronic records in respect of the Norshield Group's business. The Receiver performed a full backup of all the data and information located on the servers. The Receiver also performed a backup of several personal computers utilized by Norshield's former senior staff. This backup was sealed and was solely performed for purposes of ensuring the integrity and completeness of existing electronic data. The Receiver has not yet commenced its review of the Norshield Group's electronic records.

Counsel to the Norshield Group has advised the Receiver that the Norshield Group's electronic records are co-mingled with the records of affiliated companies that may not be subject to the Initial Order (collectively, the "Other Norshield Companies") or subject to solicitor-client privilege and has requested that steps be taken to preserve the confidentiality of such records. With respect to electronic records of the Other Norshield Companies, Receiver's counsel has entered into a protocol, without prejudice to the rights of all parties to preserve such confidentiality;

- (e) commenced an assessment of the corporate and financial structure of the Norshield Group and its business, and commenced an assessment of transactions entered into by the Norshield Group involving the investing public and other third parties. The Receiver has been communicating with certain third parties with knowledge of specific assets comprising the business or with respect to the nature of the Norshield Group's business, with a view to developing a more comprehensive understanding of the Norshield Group's assets and affairs;
- (f) obtained recognition and a coming-in-aid-Order in respect of the Initial Order in the Province of Quebec;
- (g) taken steps to retain counsel in jurisdictions outside of Canada in order to, among other things, obtain recognition of the Initial Order and to otherwise protect the interests of the Investors;
- (h) had discussions with certain former employees of the Norshield Group to obtain information regarding the business affairs of the Norshield Group as well as regarding the possibility of the Receiver engaging such persons in order to facilitate the administration of the Receivership. The Receiver has conducted a series of interviews with John Xanthoudakis and Dale Smith to obtain detailed information on the activities of the Norshield Group and to identify the investments which were made using Retail Investor Funds;

- (i) established a program for communicating with the public. The Receiver has established an information helpline at 1 (866) 869-9679, a fax line at (514) 934-8692 and an email address (norshield@rsmrichter.com) to address any queries from investors, financial advisors, brokers, media and other stakeholders. All Court documents in this proceeding and other information and documents related to the Norshield Group are posted on the Web site;
- (j) The Receiver has published legal notices confirming its appointment in respect of the Norshield Group in the Globe & Mail, the National Post and La Presse;
- (k) The Receiver has arranged for continued insurance coverage on the physical assets of the Norshield Group.

Recognition of Initial Order

- 7. The Norshield Group has assets in jurisdictions outside of Ontario. In particular, the Norshield group has assets in Quebec, Barbados, Bahamas and other jurisdictions.
- 8. Pursuant to the Order of the Honourable Mr. Justice Jean Guibault of the Quebec Superior Court dated June 30, 2005 (the “Quebec Order”), the appointment of the Receiver pursuant to the Initial Order was recognized in the Province of Quebec.
- 9. The Receiver is in the course of engaging counsel in Barbados.

Joint Liquidation of Olympus Uninvest Ltd.

- 10. Representatives of the Receiver met with Clifford Culmer of BDO Mann Judd (“Culmer”), the privately-appointed Liquidator of Olympus Uninvest Ltd. (“Uninvest”). Culmer advised the Receiver with respect to its activities as liquidator and provided certain information regarding the fund structure in Uninvest.
- 11. The Receiver is currently working in collaboration with institutional investors in Uninvest (the “Institutional Investors”) who have asserted claims of approximately USD\$175,000,000. Subject to authorization from this Honourable Court, the Receiver

shall seek to be appointed Joint Liquidator with Culmer of the assets, undertakings and properties of Uninvest.

12. The Receiver and representatives of the Institutional Investors have agreed upon the formation of a committee composed of representatives of the Institutional Investors and the Retail Investors to advise the Joint Liquidators in respect of the liquidation of Uninvest (the “Uninvest Committee”). The Receiver recommends that Me Jean Fontaine of the law firm Stikeman Elliott LLP be appointed as representative counsel to the Retail Investors on the Uninvest Committee during the pendency of the Uninvest Liquidation (the “Representative Counsel”).
13. Subject to the authorization of this Honourable Court, the Receiver and the Institutional Investors will fund the activities of the Joint Liquidators of Uninvest in an initial amount of \$500,000, on a pro rata basis, amount which may be increased with the approval of the Uninvest Committee and the Receiver.

Receiver’s Preliminary Observations and Concerns

14. It appears that the Norshield Group conducted its affairs in an extremely complex manner involving numerous companies and entities and that funds originating from the Retail Investors and other investors were widely invested in off-shore jurisdictions.
15. It appears that the investments made off-shore by the Norshield Group may be illiquid and/or may be subject to competing claims.
16. It appears that the Norshield Group may have co-mingled funds originating from various investors and corporate entities. For example, the Investment Funds originating from the Retail Investors appear to have been co-mingled at the Uninvest level with funds invested by the Institutional Investors.
17. It appears that certain of the Investment Funds originating from the Retail Investors are currently subject to competing claims or claims of third parties that assert ownership over such assets/funds.

18. A secured claim of approximately \$50,000,000 has been asserted by Mendota Capital Corporation against the assets of NAM , claim which, if successful, may have a negative effect on the realization process.
19. Many transactions require investigation and analysis by the Receiver to determine the manner in which funds were invested and the current location of such funds.
20. Further investigation and analysis must be performed by the Receiver to determine whether claims may be asserted against third parties that may have, directly or indirectly, benefited from the Investment Funds of the Retail Investors.
21. The Receiver has a concern that there may be a shortfall in assets required to satisfy the claims of the Retail Investors and other creditors of the Norshield Group.

Conclusions

22. Based on the foregoing, the Receiver recommends that this Honourable Court issue Orders granting the following relief:
 - (a) extending indefinitely the Initial Order, including the appointment of the Receiver in respect of the Norshield Group pursuant to section 129 of the Securities Act (Ontario);
 - (b) authorizing the Receiver to commence proceedings and/or participate in existing proceedings in Canada and elsewhere, including, without limitation, bankruptcy, restructuring, liquidation, winding-up and civil proceedings in the Bahamas, Barbados, other Caribbean jurisdictions, and the United States of America;
 - (c) authorizing the Receiver to be appointed as Joint Liquidator of the assets, undertakings and properties of Uninvest;
 - (d) authorizing the Receiver to contribute (out of the proceeds of the Property), on a pro rata basis, to the costs and fees of the joint liquidation of Uninvest in an initial amount of \$500,000 and such further amounts as may be accepted by the Uninvest Committee and approved by the Receiver;

- (e) appointing Me Jean Fontaine of Stikeman Elliott LLP as Representative Counsel of the Retail Investors on the Uninvest Committee, or for such other purposes as the Receiver may deem advisable;
- (f) authorizing the Receiver to consolidate and co-mingle all monies, bank accounts, investment funds and other assets or property of the Norshield Group in respect of the funding of the Receivership;
- (g) authorizing the Receiver to make a consolidated Application for a Bankruptcy Order against each of the Norshield Group entities with the view to preserving recourses under the Bankruptcy and Insolvency Act or for any other legal purposes deemed advisable by the Receiver; and
- (h) approving the activities of the Receiver and its counsel, as set out herein, including the pre-appointment activities of Richter in respect of certain of the Norshield Group companies.

ALL OF WHICH IS RESPECTFULLY SUBMITTED BY:

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

(original signed)

Raymond Massi