Court File No. 05-CL-5965

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

SEVENTEENTH REPORT OF THE RECEIVER

(Dated May 23, 2017)

Introduction

1. 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. (now Richter Advisory Group Inc.) ("**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**".

2. 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**".

3. 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**"), Richter was also appointed as Receiver pursuant to Section 101 of the *Courts Of Justice Act*, R.S.O. 1990, c.43, 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.

4. 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.

5. The Original Respondents, Norshield Capital Management and Honeybee Software are collectively referred to as the "Norshield Companies" in this Seventeenth Report of the Receiver (the "**Seventeenth Report**"). The Initial Order, the Extension Order and the Expanded Orders are collectively referred to as the "Receivership Orders".

6. Richter and Brian F. Griffith & Company, a Barbados accounting firm, have been appointed Joint Custodians of Olympus Bank by Order of the Barbados High Court of Justice dated September 22, 2005.

7. Raymond Massi, a partner of Richter ("**Massi**"), and G. Clifford Culmer ("**Culmer**"), a partner of BDO Mann Judd, an accounting firm located in Nassau, in the Commonwealth of The Bahamas ("**The Bahamas**"), were appointed Joint Official Liquidators ("**Olympus Univest JOL's**") of Olympus Univest Ltd. ("**Olympus Univest**") by Order dated February 6, 2006 of the Supreme Court of the Commonwealth of The Bahamas ("**Bahamas Court**").

8. Massi and Culmer were appointed Joint Receivers of Mosaic Composite Limited (U.S.), Inc. ("**Mosaic**") by Order of the Bahamas Court dated January 20, 2006.

9. Massi and Culmer were appointed Joint Provisional Liquidators of Mosaic by Order of the Bahamas Court dated March 22, 2006. On January 23, 2007, Mosaic was placed under Court supervised liquidation by Order of the Bahamas Court and Massi and Culmer were appointed Joint Official Liquidators of Mosaic (the "**Mosaic JOL's**").

10. The Receiver has relied upon information and records available from the Norshield Companies, Olympus Univest, Mosaic, as well as from third parties, including the September 30, 2003 audited financial statements (the most recent and complete financial statements available) of the Norshield Companies, Olympus Univest, Mosaic and other entities described herein. In most circumstances, the information and records were incomplete. The Receiver therefore has not fully determined all transactions that occurred prior to June 29, 2005, the date of the Initial Order.

11. The Receiver's review of this information does not encompass an audit of the financial position or operating results of any of the entities described herein. The financial information presented by the Receiver, including asset recovery information, remains subject to change in the event further information becomes available to the Receiver. Any such additional information could affect the conclusions drawn by the Receiver in this Seventeenth Report.

12. All references to dollars are in Canadian currency unless otherwise noted. Where amounts are reflected on the originating documents in US dollars, they have been converted into CDN dollars at the exchange rate in effect at the date of the transaction.

Purpose of the Seventeenth Report

13. The purpose of the Seventeenth Report is to provide the Court with the evidentiary basis upon which to make an Order:

(a) approving the Settlement Agreement dated February 9, 2017 (the "**Settlement Agreement**") between the Receiver, the Olumpus Univest JOL's, the Mosaic JOL's and the Brooks di Santos Parties (as defined below) as fair and reasonable;

(b) authorizing and directing the Receiver to enter into and carry out the terms of the Settlement Agreement;

(c) approving the Seventeenth Report and the conduct activities of the Receiver described herein.

Background

14. The Norshield Companies were part of an investment structure that spanned Canada, the United States, Barbados and The Bahamas. The Receiver has determined that funds invested by approximately 1,900 retail investors in Canada (the "**Retail Investors**") and other Canadian investors flowed through numerous entities/jurisdictions involving Olympus Funds, Olympus Bank, Olympus Univest and Mosaic (collectively referred to herein as the "**Olympus Funds Investment Structure**"):

Olympus United Funds Corporation (Canada)

▼

Olympus United Bank and Trust SCC (Barbados)

▼

Olympus Univest Ltd.

and its investment strategy subsidiaries
(Bahamas)

▼

Mosaic Composite Limited (U.S.), Inc.
(Formerly Bahamas, now USA)

▼

Channel Funds
(The Bahamas)

15. The Retail Investors, a significant number of whom reside in Ontario, held investments in Olympus Funds in the amount of approximately $159 million as at June 2005, according to the records of Olympus Funds. Based on the audited financial statements for Olympus Funds, Olympus Bank, Olympus Univest and Mosaic as at September 30, 2003, Olympus Funds made significant investments in its wholly-owned subsidiary, Olympus Bank in Barbados. Olympus Bank held investments in Olympus Univest in The Bahamas. These investments were then co-mingled in Olympus Univest 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”. Olympus Univest held substantial investments in 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 the Royal Bank of Canada, which were consolidated into a single option on March 31, 2004

(referred to in the reports of the Receiver to the Court as the "**RBC SOHO Option**") while the non-hedged assets consisted mainly of investments in a number of private entitles, 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").**

16. Mosaic was the largest shareholder of Channel Fixed Income Fund Ltd., which was the parent of the other three Channel Funds.

17. Extensive forensic investigative work into the activities of the Norshield Companies, Olympus Univest, Mosaic and the Channel Funds has led the Receiver to conclude that the above-mentioned Canadian, Barbadian and Bahamian entities, as well as their directors and officers, all operated in concert and with common interest despite attempts to give the appearance that many of the entities and individuals were unconnected and acting independently.

18. As funds flowed through the Olympus Funds Investment Structure, significant dissipation of investor funds occurred at each level as a result of redemptions at artificially inflated net asset values **("NAVs"),** unexplained payments to entities related or connected to the

Norshield Companies and/or their principals, and the costs of maintaining the investment structure itself.

19. Those inflated NAVs were employed to camouflage the dissipation of investor funds and to provide a false positive picture of the Olympus Funds Investment Structure to investors.

20. As time went by, there ceased to be enough money in the Olympus Funds Investment Structure to meet redemptions. Existing assets had been overvalued and many were illiquid. In the months leading up to the Receiver's appointment, new subscriptions were entirely used to fund redemptions.

21. The failure of the Norshield Companies, Olympus Univest and Mosaic was caused, *inter alia,* by the enormous disparity between the real and the reported values of the assets purportedly held in the Olympus Funds Investment Structure, which resulted in collective losses in excess of $400 million suffered by the Retail Investors in Olympus Funds as well as by direct investors in Olympus Univest.

22. Olympus Funds no longer conducts any business and has no operations, save for the realization of its assets by the Receiver.

Brooks, Di Santo

23. Certain of the entities in the Olympus Funds Investment Structure relied upon the audited financial statements of the Channel Funds for the fiscal years ended September 30, 2002

and September 30, 2003 (the "**Channel Fund Financial Statements**") in making or maintaining investments therein.

24. Brooks, Di Santo audited the Channel Fund Financial Statements and issued unqualified audit reports thereon. Brooks, Di Santo is an unregistered firm of chartered accountants in Montreal, Quebec, in which Peter Marini and Fred Ragonese (together, the "**Brooks, Di Santo Parties**") are partners.

25. By Order dated January 13, 2010 (the "**Leave Order**"), the Ontario Court granted the Receiver leave to commence a claim against Brooks, Di Santo and the Brooks, Di Santo Parties (the "**Action**"). A copy of the Leave Order is attached as Schedule "**E**".

26. By Order dated February 9, 2010, the Court amended the form of the claim to be issued in the Action (the "**Amending Order**"). A copy of the Amending Order is attached As Schedule "**F**".

27. The Action was commenced in the Superior Court of Quebec on February 10, 2010. A copy of the Motion to Institute Proceeding issued on February 10, 2010 is attached as Schedule "**G**". The Receiver and the Mosaic JOL's are the plaintiffs in the Action (collectively, the "**Plaintiffs**") and the defendants are Brooks, Di Santo and the Brooks, Di Santo Parties (collectively, the "**Defendants**").

28. In accordance with the Leave Order, the Receiver prepared the litigation plan in the Action. The Receiver retained Max Mendelsohn of McMillan LLP of Montreal, Quebec

as litigation manager in the Action.

29. In the Motion to Institute Proceeding, the Plaintiffs allege that the carrying value of the investments and accounts receivable on the Channel Fund Financial Statements was significantly impaired, to the extent of more than $300 million. The Plaintiffs allege that the impairment of the carrying value of the investments and accounts receivable should have been properly reflected in the Channel Fund Financial Statements and, if this had occurred, the financial statements of the Norshield Companies would have contained going concern notes or adverse opinions. The Plaintiffs assert that the operations of the Norshield Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released. Instead, the misleading financial information contained in the Channel Fund Financial Statements resulted in increased losses by investors in the Olympus Funds Investment Structure and a decrease in assets from which to recover such investments from February 2003 onward. The Plaintiffs are seeking payment of $5,000,000 plus interest and costs from the Defendants.

NEGOTIATIONS AND PROPOSED SETTLEMENT WITH BROOKS, DI SANTO

30. Confidential meetings were held and confidential correspondence was exchanged between counsel to the Defendants and counsel to the Plaintiffs regarding the claims asserted in the Action. After several years of negotiations, the Defendants and the Plaintiffs were able to reach an agreement to settle the Action. The Plaintiffs have

executed the Settlement Agreement, subject to approval of the Ontario Court and the Bahamas Court. A copy of the Settlement Agreement is attached as Schedule "**H**".

31. The Defendants have denied the claims of the Plaintiffs contained in the Action. However, the Settlement Agreement provides that, without any admission of liability, the Defendants have agreed to make a payment to the Plaintiffs of $700,000 (the "**Settlement Amount**"). The Settlement Agreement provides for the release of all claims against the Defendants raised in the Action. The Settlement Agreement is conditional upon satisfaction of the following conditions:

    (a) issuance of an order approving the Settlement Agreement by each of the Ontario Court and the Bahamas Court (together, the "**Approval Orders**");

    (b) expiry of all applicable appeal periods with respect to the Approval Orders;

    (c) if an appeal or motion for leave to appeal either of the Approval Orders is taken, the final disposition of any such appeal with no further right of appeal or leave to appeal existing;

    (d) payment of the Settlement Amount to counsel to the Receiver;

    (e) filing of a notice with the Superior Court of Quebec confirming the settlement of the Action.

32. Jean Fontaine, the court-appointed Representative Counsel to the Retail Investors, supports approval of the Settlement Agreement. In the Receiver's review, the terms of

the Settlement Agreement are fair and reasonable and represent the best realization possible upon the claims advanced in the Action, having regard to the ongoing costs of litigation, the uncertainty of success in the Action and the prospect of successfully monetizing any judgment ultimately obtained in the Action. The Receiver recommends that the Court approve the Settlement Agreement and authorize and direct the Receiver to enter into and carry out the terms of the Settlement Agreement.

ORDER SOUGHT

33. The Receiver respectfully recommends that the Court grant an Order:

(a) approving the Settlement Agreement as fair and reasonable;

(b) authorizing and directing the Receiver to enter into and carry out the terms of the Settlement Agreement;

(c) approving the Seventeenth Report and the conduct and activities of the Receiver described herein.

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

Raymond Massi

SCHEDULE “A”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	WEDNESDAY, THE 29th DAY
	)	
MR. JUSTICE CAMPBELL	)	OF JUNE, 2005

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

INITIAL ORDER

THIS APPLICATION, made by the Ontario Securities Commission (the "Commission") for an Order pursuant to section 129 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act") appointing RSM Richter Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Richard Radu sworn June 29, 2005 and the Exhibits thereto, the letter from the Autorité des Marchés Financiers ("AMF") supporting the relief sought by the Applicant herein, on hearing the submissions of counsel for the Commission, and on reading the consent of RSM Richter Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 129 of the Act, RSM Richter Inc. is hereby appointed Receiver, without security, of all of the Debtors' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "Debtors' Property") and any assets, undertakings, properties, claims and rights of recourse against any third parties, relating to the Debtors' business, including without limitation, that which is in the possession or under the control of the Debtors or any other Person (as defined herein) including cash, deposit instruments, securities or other property held in trust for any other person, including, without limitation, retail and institutional investors (collectively, the "Other Property"), such appointment to be for a period of 15 days from the date hereof, subject to further Order of the Court.

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Debtors' Property and the Other Property (collectively the "Property") and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

(a) to take possession and control of the Property including, without limitation, any Property held in segregated accounts, non-segregated

accounts, trust accounts, custodial accounts or segregated cells in the name of or on behalf of any of the Debtors and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive and collect all monies, dividends or other amounts payable in respect of the Property;

(c) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;

(e) to engage such investment managers, fund managers, portfolio managers, hedge fund managers and other financial professionals from time to time and on whatever basis, including on a temporary basis, as may in the opinion of the Receiver be appropriate;

(f) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to carry out the terms of the Receiver's appointment;

(g) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;

(h) to settle, extend or compromise any indebtedness owing to the Debtors;

(i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;

(j) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;

(k) subject to the stay of proceedings referred to herein, to initiate, prosecute and continue the prosecution of any and all proceedings and to defend or intervene in all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(l) to report to, meet with and discuss with any party deemed necessary or advisable by the Receiver, including without limitation any secured and unsecured creditors of the Debtors, investors in any of the Debtors, any other stakeholders of the Debtors, any entity in which any Property has been directly or indirectly invested and any of their advisors as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(m) to perform any investigation or enquiry related to the Debtors or the Property required by the Receiver to carry out the terms of this Order including, without limitation, to compel any Person to be examined under oath in respect of the Debtors, the Property or any matters relating thereto;

(n) without limiting the foregoing subparagraph (l), to report to, meet with and discuss with any domestic and foreign regulatory bodies including provincial securities commissions and any securities exchanges and their advisors as the Receiver deems appropriate on all matters relating to the

Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

(q) to enter into arrangements with any trustee in bankruptcy or monitor appointed pursuant to the *Companies' Creditors Arrangement* Act (Canada) (the "CCAA") in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors and the power to lend money to or indemnify any such trustee, such trustee borrowings or indemnity not to exceed $100,000 unless otherwise increased by this Court;

(r) to negotiate and enter into an extension of any real property lease where the Receiver considers it advisable to do so, on such terms as the Receiver considers appropriate;

(s) to repudiate any real property lease where the Receiver considers it advisable to do so;

(t) to repudiate leases in respect of equipment leased by the Debtors, and to return any such equipment to the lessors;

(u) to arrange for the liquidation of such equipment and property of the Debtors as the Receiver considers advisable;

(v) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;

(w) to enter into, terminate, suspend, extend, amend and/or postpone any and all financial contracts entered into or to be entered into by any of the Debtors with any other party; and

(x) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver without charge to the Receiver, shall provide the Receiver with account numbers and/or names under which Property may be held by third parties, shall deliver all such Property to the Receiver upon the Receiver's request, and shall disclose to the Receiver, upon demand being made therefor by the Receiver, any and all information and documentation regarding any transactions between a Debtor and any Person as well as any transaction entered into between a Debtor and any party related to or affiliated with a present or former director, officer or employee of a Debtor.

5. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to take possession and control of any funds held in the name of the Debtors, in any former names of the Debtors or by a third party for the benefit of the Debtors, or any stakeholders of the Debtors, including, without limitation, all amounts standing to the credit or in the name of any of the funds listed at Schedule "A" hereto.

6. THIS COURT ORDERS that all Persons shall forthwith and without charge advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and

accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors or the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information

8. THIS COURT ORDERS that Internet Service Providers and other Persons which provide e-mail, world wide web, file transfer protocol, Internet connection or other similar services to the Debtors and/or their present and former directors, officers, employees and agents shall deliver to the Receiver all documents, server files, archive files and any other information in any form in any way recording messages, e-mail correspondence or other information sent or received by such directors, officers, employees or agents in the course of their association with the Debtors.

NO PROCEEDINGS AGAINST THE RECEIVER

9. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court, provided that nothing herein shall prevent the commencement or continuation of any proceedings against the Debtors by the Commission or by the AMF.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Debtors or affecting the Property are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment (provided, however, that the Receiver shall not be required to comply with any statutory or regulatory reporting requirements imposed upon the Debtor solely by virtue of its appointment as Receiver), or (iii) prevent the filing of any registration to preserve or perfect a security interest or a claim for lien. Without limiting the foregoing, the rights and remedies against the Debtors or affecting the Property which are hereby stayed and suspended shall include all rights and remedies relating to the shares, securities, debentures, notes, bonds or other instruments issued by or on behalf of the Debtors or in respect of the Property including, without limitation, futures contracts, options, derivatives, swaps and other financial contracts in respect of present or future rights or obligations.

NO INTERFERENCE WITH THE RECEIVER

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, arrangement, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of or realization upon all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that the employment of each employee of and the engagement of any independent contractor or consultant to the Debtors is hereby terminated and that no present or past director, officer or employee of a Debtor may hereafter purport to act on behalf of a Debtor or enter into any agreements in respect of the Debtor or the Property. The Receiver shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction, provided that pursuant to subsection 14.06(1.2) of the BIA, the Receiver shall not be liable for any amount that is or could be due to an employee by the Debtors including, without limitation, any amount calculated by reference to any period of employment, service or seniority that precedes the date of this Order. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA.

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to any party to the extent desirable or required to carry out the provisions of this Order. Each person to whom such personal information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that the Receiver shall promptly advise the Ontario Ministry of the Environment of any obvious or known environmental condition existing on or in any of the Property in accordance with applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it in fact takes possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver (which term includes, for the purpose of this paragraph, RSM Richter Inc. in its capacity as the Monitor (as defined below) and the Receiver's partners, employees, agents, consultants, solicitors, and other persons engaged by the Receiver for the purpose of its administration of the receivership) shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. The term "Monitor" shall mean RSM Richter Inc. in its capacity as the monitor appointed by the OSC and the AMF of Gestion de Placements Norshield (Canada) Ltée/Norshield Asset Management (Canada) Ltd., Olympus United Funds Corporation/Corporation de Fonds Unis Olympus, and Olympus United Bank and Trust SCC.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees and disbursements of the Receiver, its agents and the fees and disbursements of its legal counsel, incurred at the normal rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (the "Receiver's Charge").

20. THIS COURT ORDERS that the Receiver shall be authorized and directed to retain the law firms of Thornton Grout Finnigan LLP and Goldstein, Flanz & Fishman LLP as legal counsel to the Receiver.

21. THIS COURT ORDERS the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and their legal counsel are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

22. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

23. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge.

24. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

25. THIS COURT ORDERS that the Receiver may at any time apply for its discharge as Receiver without any further obligation in the event that the Property is not, in the opinion of the Receiver, likely to be sufficient to indemnify the Receiver for its remuneration, costs, expenses and liabilities.

26. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

27. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis.

SERVICE

28. THIS COURT ORDERS that the Receiver is at liberty to serve notice of its appointment as Receiver by placing advertisements regarding such appointment substantially in the form attached hereto as Schedule "C" in at least two (2) Canadian daily newspapers with national distribution, and such advertisements shall constitute effective notice of the appointment of the Receiver and all Persons shall be deemed, absent evidence to the contrary, to have received notice of the appointment.

29. THIS COURT ORDERS that, except as otherwise specified herein, the Receiver is at liberty to serve any notice, form or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective addresses or other contact particulars as last indicated in the records of the Debtors and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.

30. THIS COURT ORDERS that the Receiver may serve any court materials in these proceedings (including, without limitation, application records, motion records, facta and orders) on all represented parties electronically, by e-mailing a PDF or other electronic copy of such materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list, and posting a copy of the materials to an internet website to be hosted by the Receiver or its designee (the "Website") as soon as practicable thereafter, provided that the Receiver shall deliver hard copies of such materials to any party requesting same as soon as practicable thereafter.

31. THIS COURT ORDERS that any party in these proceedings (other than the Debtors) may serve any court materials (including, without limitation, application records, motion records, facta and orders) electronically, by emailing a PDF or other electronic copy of all materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list; provided that such party shall deliver both PDF or other electronic copies and hard copies of full materials to counsel to the Receiver and to any other party requesting same and the Receiver shall cause a copy to be posted to the Website, all as soon as practicable thereafter.

32. THIS COURT ORDERS that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings unless such Person has served a Notice of Appearance on the solicitors for the Receiver and has filed such notice with this Court.

BANKRUPTCY AND CCAA

33. THIS COURT ORDERS that with leave of the Court first being obtained the Receiver shall be entitled to make an assignment in bankruptcy on behalf of the Debtors to initiate any proceeding under the BIA, the CCAA, the *Canada Business Corporations Act*, the *Winding-Up and Restructuring Act* (Canada) or any other similar legislation in Canada or elsewhere in respect of one or more of the Debtors or the Property or in respect of any party related to or affiliated with any present or former employees, officers or directors of a Debtor.

34. THIS COURT ORDERS that the Receiver be and it is hereby authorized to issue an Application for a Bankruptcy Order against the Debtors on an individual or consolidated basis.

35. THIS COURT ORDERS that, in the event that the Receiver obtains a Bankruptcy Order against the Debtors on a consolidated basis, the Official Receiver be and it is hereby directed to open one estate file and to assign one estate file number to the consolidated estate.

GENERAL

36. THIS COURT ORDERS AND DIRECTS the Toronto Police Services to assist the Receiver in carrying out its duties under this Order, including assisting the Receiver in obtaining access to any premises leased or owned by the Debtors.

37. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

38. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy or monitor under the CCAA in respect of the Debtors, with leave of the Court first being obtained.

39. THIS COURT ORDERS that nothing contained in this Order shall prevent the Receiver from acting as a provisional administrator under the laws of the Province of Quebec, including, but not limited to, the *Securities Act* (Quebec).

40. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada (including, without limitation, the Superior Court of Quebec), the United States or elsewhere (including without limitation the Commonwealth of the Bahamas and Barbados) to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order, including, without limitation, to assist the Receiver to take possession of or to control the Property, including Property held by third parties or parties affiliated or related to the Debtors or any one of them, as well as to enforce the stay of proceedings described herein in respect of the Debtors and the Property.

41. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

42. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 2 9 2005

PER/PAR

SCHEDULE "A"

NORSHIELD GROUP FUNDS

Olympus United Multi-Asset
Olympus United Diversified
Olympus United Global Trading
Olympus United Global Trading (F)
Olympus United Univest Fund II CAN$
Olympus United Univest Fund II US$
Olympus United Univest Fund DPP CAD$
Olympus United Univest Fund II (F)
Olympus United Momentum Fund
Olympus United Momentum (F) Fund
Olympus United Univest Fund DPP US$
Olympus United Univest II (F) USD
Olympus United Univest II High Net Worth
Olympus United Tactical Trading
Olympus United Tactical Trading (F)

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $______________________

1. THIS IS TO CERTIFY that RSM Richter Inc., the receiver (the "Receiver") of all of the assets, undertakings and properties of [Norshield]. appointed by Order of the Ontario Superior Court of Justice (the "Court") dated the ___ day of ______, 2005 (the "Order") made in an application having Court file number ___________, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $___________, being part of the total principal sum of $___________ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _______ day of each month] after the date hereof at a notional rate per annum equal to the rate of ______ per cent above the prime commercial lending rate of Bank of _________ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of ______________, 2005.

RSM Richter Inc., solely in its capacity
as Receiver, and not in its personal capacity

Per: ______________________________

Name:
Title:

SCHEDULE "C"

NOTICE

in respect of

[Norshield et al.] (collectively, the "Debtors")

Please be advised that pursuant to the Order of the Honourable. Justice • of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 in Court File No. • (the "Order"), RSM Richter Inc. has been appointed as Receiver (the "Receiver") of all of the Debtors' assets, undertakings and properties. The appointment of the Receiver was made under Section 129 of the Ontario *Securities Act*.

A copy of the Order and other information regarding the Receiver's appointment are available online at www.•. The Receiver has established a helpline available at (•).

ONTARIO SECURITIES COMMISSION
Plaintiff

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.

Defendant

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced in Toronto

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 2200, P.O. Box 329
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Grant B. Moffat/Greg Azeff
Law Society No.: 32380L 1D / 45324C
Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for RSM Richter Inc., solely in its capacityas Receiver, and not in its personal capacity

SCHEDULE “B”

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	THURSDAY, THE 14TH
	)	
MR. JUSTICE COLIN CAMPBELL	)	DAY OF JULY, 2005.

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/CORPRATION DE FONDS UNIS OLYMPUS, OLYMPUS UNITED BANK AND TRUST SCC, GROUP OLYMPUS UNITED INC./OLYMPUS UNITED GROUP INC.

Respondents

ORDER

THIS MOTION made by the Applicant, the Ontario Securities Commission (the "Applicant") for the relief set out in its Notice of Motion herein dated Tuesday, July 12, 2005 was heard this day at 393 University Avenue, in the City of Toronto.

UPON READING the First Report (the "First Report") of RSM Richter Inc. (the "Receiver") in its capacity as the court appointed receiver of the Respondents and upon hearing the submissions of counsel for the Applicant, the Receiver and the Respondents,

1. **THIS COURT ORDERS** that the time for service of this motion be and it is hereby abridged to the date and time of actual service and that such service is valid service of the materials filed in support of this motion.

2. **THIS COURT ORDERS** that the appointment of the Receiver pursuant to the Order of this Honourable Court dated Wednesday, June 29, 2005 (the "Initial Order") in respect of each of the Respondents (collectively, the "Norshield Group") be and it is hereby continued in accordance with the terms of the Initial Order, as amended and supplemented hereby, until such time as the Receiver has completed its administration of the Estate and has applied to this Honourable Court for its discharge.

3. **THIS COURT ORDERS** that the Receiver be and it is hereby authorized to commence proceedings and/or participate in existing proceedings in The Commonwealth of the Bahamas, Barbados or any other Caribbean jurisdiction including, without limitation, bankruptcy, restructuring, liquidation, winding-up and civil proceedings with respect to any of the Respondents, Mosaic Composite Ltd. or Univest Multi-Strategy Fund II Ltd..

4. **THIS COURT ORDERS** that the Receiver be and it is hereby authorized to take all necessary steps to have the Receiver or one of its personal representatives appointed by the court of The Commonwealth of the Bahamas, together with Clifford Culmer in his personal capacity (or any other individual substituted for Mr. Culmer by the Bahamian court), as joint liquidator (the "Joint Liquidator") of the assets, undertakings and properties of Olympus Univest Ltd. ("Univest").

5. **THIS COURT ORDERS** that the Receiver shall be authorized to advance to the Joint Liquidator, on such terms as may be satisfactory to the Receiver, the "Funding Amount" which shall be utilized by the Joint Liquidator to fund its fees and disbursements only in its capacity as Joint Liquidator. The Funding Amount shall be a percentage of the sum of $500,000.00, calculated by determining the *pro rata* share of such amount attributable to the amount of funds invested in Univest by the Retail Investors as compared to the Institutional Investors (each as defined in the First Report). The Receiver shall only advance the Funding Amount to the Joint

Liquidator if the Institutional Investors advance to the Joint Liquidator their *pro rata* share of the sum of $500,000.00 as described above.

6. **THIS COURT ORDERS** that Mr. Jean Fontaine of the law firm Stikeman Elliott LLP be appointed as representative counsel to the Retail Investors (as defined in the First Report) on the Univest Committee (as defined in the First Report) during the pendency of the Univest liquidation (the "Representative Counsel").

7. **THIS COURT ORDERS** that the fees and disbursements of the Representative Counsel be secured by and paid from a charge on the Property (as defined in the Initial Order)

8. **THIS COURT ORDERS** that all of the Property (as defined in the Initial Order) including, without limitation, all moneys, bank accounts, investment funds and other assets or property of the Norshield Group, shall be subject to the Receiver's Charge and the Receiver's Borrowings Charge (together the "Charges") and the Receiver shall not be required to specifically allocate to or otherwise segregate any amounts secured by the Charges amongst any of the Property.

9. **THIS COURT ORDERS** that the conduct of the Receiver as described in the First Report of the Receiver be and it is hereby approved.

Campbell J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUL 1 4 2005

PER/PAR:

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

ORDER

ONTARIO SECURITIES COMMISSION
20 Queen Street West
Suite 1900
Toronto, Ontario
M5H 3S8

Karen Manarin
Litigation Counsel Enforcement Branch
Law Society No.: 32354N
Tel: (416) 593-8088
Fax: (416) 593-2319
Email: kmanarin@osc.gov.on.ca

SCHEDULE “C”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY THE 9TH DAY
	)	
MR. JUSTICE C.L. CAMPBELL	)	OF SEPTEMBER, 2005

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

ORDER

THIS APPLICATION, made by RSM Richter Inc. in its capacity as receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Raymond Massi sworn September 9, 2005 and the Exhibits thereto, and on hearing the submissions of counsel for the Receiver,

SERVICE

1. THIS COURT ORDERS that this motion is properly made without notice.

2. THIS COURT ORDERS that this Order shall be served on the persons affected by this Order as soon as reasonably possible after the Receiver has taken control of the assets, undertakings and properties of the Additional Entities (as defined below)

APPOINTMENT

3. THIS COURT ORDERS that pursuant to section 101 of the *Courts of Justice Act* (Ontario), RSM Richter Inc. is hereby appointed Receiver, without security, of all property, assets and undertaking of the following entities:

(i) Norshield Investment Corporation; and

(ii) Norshield Capital Management Corporation,

(together the "Additional Entities") all in accordance with the provisions of the Order of the Honourable Mr. Justice C.L. Campbell of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 (the "Initial Order", a copy of which is attached hereto as Schedule "A"), and the definition of "Debtors" set out in the Initial Order shall be and it is hereby amended to also include the Additional Entities.

REQUEST FOR ASSISTANCE

4. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All such courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

5. THIS COURT ORDERS that any other interested person may apply to this Court to vary or rescind this Order or seek other relief on seven days' written notice to the Receiver and to any other person likely to be affected by the order sought, or on such other notice as this Court may order, provided that nothing in this section shall act to extend any applicable appeal period.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 09 2005

PER/PAR

SCHEDULE "A"

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	WEDNESDAY, THE 29th DAY
	)	
MR. JUSTICE CAMPBELL	)	OF JUNE, 2005

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE

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

INITIAL ORDER

THIS APPLICATION, made by the Ontario Securities Commission (the "Commission") for an Order pursuant to section 129 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act") appointing RSM Richter Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Richard Radu sworn June 29, 2005 and the Exhibits thereto, the letter from the Autorité des Marchés Financiers ("AMF") supporting the relief sought by the Applicant herein, on hearing the submissions of counsel for the Commission, and on reading the consent of RSM Richter Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 129 of the Act, RSM Richter Inc. is hereby appointed Receiver, without security, of all of the Debtors' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "Debtors' Property") and any assets, undertakings, properties, claims and rights of recourse against any third parties, relating to the Debtors' business, including without limitation, that which is in the possession or under the control of the Debtors or any other Person (as defined herein) including cash, deposit instruments, securities or other property held in trust for any other person, including, without limitation, retail and institutional investors (collectively, the "Other Property"), such appointment to be for a period of 15 days from the date hereof, subject to further Order of the Court.

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Debtors' Property and the Other Property (collectively the "Property") and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

(a) to take possession and control of the Property including, without limitation, any Property held in segregated accounts, non-segregated

accounts, trust accounts, custodial accounts or segregated cells in the name of or on behalf of any of the Debtors and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive and collect all monies, dividends or other amounts payable in respect of the Property;

(c) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;

(e) to engage such investment managers, fund managers, portfolio managers, hedge fund managers and other financial professionals from time to time and on whatever basis, including on a temporary basis, as may in the opinion of the Receiver be appropriate;

(f) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to carry out the terms of the Receiver's appointment;

(g) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;

(h) to settle, extend or compromise any indebtedness owing to the Debtors;

(i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;

(j) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;

(k) subject to the stay of proceedings referred to herein, to initiate, prosecute and continue the prosecution of any and all proceedings and to defend or intervene in all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(l) to report to, meet with and discuss with any party deemed necessary or advisable by the Receiver, including without limitation any secured and unsecured creditors of the Debtors, investors in any of the Debtors, any other stakeholders of the Debtors, any entity in which any Property has been directly or indirectly invested and any of their advisors as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(m) to perform any investigation or enquiry related to the Debtors or the Property required by the Receiver to carry out the terms of this Order including, without limitation, to compel any Person to be examined under oath in respect of the Debtors, the Property or any matters relating thereto;

(n) without limiting the foregoing subparagraph (l), to report to, meet with and discuss with any domestic and foreign regulatory bodies including provincial securities commissions and any securities exchanges and their advisors as the Receiver deems appropriate on all matters relating to the

Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

(q) to enter into arrangements with any trustee in bankruptcy or monitor appointed pursuant to the *Companies' Creditors Arrangement* Act (Canada) (the "CCAA") in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors and the power to lend money to or indemnify any such trustee, such trustee borrowings or indemnity not to exceed $100,000 unless otherwise increased by this Court;

(r) to negotiate and enter into an extension of any real property lease where the Receiver considers it advisable to do so, on such terms as the Receiver considers appropriate;

(s) to repudiate any real property lease where the Receiver considers it advisable to do so;

(t) to repudiate leases in respect of equipment leased by the Debtors, and to return any such equipment to the lessors;

(u) to arrange for the liquidation of such equipment and property of the Debtors as the Receiver considers advisable;

(v) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;

(w) to enter into, terminate, suspend, extend, amend and/or postpone any and all financial contracts entered into or to be entered into by any of the Debtors with any other party; and

(x) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver without charge to the Receiver, shall provide the Receiver with account numbers and/or names under which Property may be held by third parties, shall deliver all such Property to the Receiver upon the Receiver's request, and shall disclose to the Receiver, upon demand being made therefor by the Receiver, any and all information and documentation regarding any transactions between a Debtor and any Person as well as any transaction entered into between a Debtor and any party related to or affiliated with a present or former director, officer or employee of a Debtor.

5. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to take possession and control of any funds held in the name of the Debtors, in any former names of the Debtors or by a third party for the benefit of the Debtors, or any stakeholders of the Debtors, including, without limitation, all amounts standing to the credit or in the name of any of the funds listed at Schedule "A" hereto.

6. THIS COURT ORDERS that all Persons shall forthwith and without charge advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and

accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors or the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information

8. THIS COURT ORDERS that Internet Service Providers and other Persons which provide e-mail, world wide web, file transfer protocol, Internet connection or other similar services to the Debtors and/or their present and former directors, officers, employees and agents shall deliver to the Receiver all documents, server files, archive files and any other information in any form in any way recording messages, e-mail correspondence or other information sent or received by such directors, officers, employees or agents in the course of their association with the Debtors.

NO PROCEEDINGS AGAINST THE RECEIVER

9. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court, provided that nothing herein shall prevent the commencement or continuation of any proceedings against the Debtors by the Commission or by the AMF.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Debtors or affecting the Property are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment (provided, however, that the Receiver shall not be required to comply with any statutory or regulatory reporting requirements imposed upon the Debtor solely by virtue of its appointment as Receiver), or (iii) prevent the filing of any registration to preserve or perfect a security interest or a claim for lien. Without limiting the foregoing, the rights and remedies against the Debtors or affecting the Property which are hereby stayed and suspended shall include all rights and remedies relating to the shares, securities, debentures, notes, bonds or other instruments issued by or on behalf of the Debtors or in respect of the Property including, without limitation, futures contracts, options, derivatives, swaps and other financial contracts in respect of present or future rights or obligations.

NO INTERFERENCE WITH THE RECEIVER

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, arrangement, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of or realization upon all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that the employment of each employee of and the engagement of any independent contractor or consultant to the Debtors is hereby terminated and that no present or past director, officer or employee of a Debtor may hereafter purport to act on behalf of a Debtor or enter into any agreements in respect of the Debtor or the Property. The Receiver shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction, provided that pursuant to subsection 14.06(1.2) of the BIA, the Receiver shall not be liable for any amount that is or could be due to an employee by the Debtors including, without limitation, any amount calculated by reference to any period of employment, service or seniority that precedes the date of this Order. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA.

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to any party to the extent desirable or required to carry out the provisions of this Order. Each person to whom such personal information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that the Receiver shall promptly advise the Ontario Ministry of the Environment of any obvious or known environmental condition existing on or in any of the Property in accordance with applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it in fact takes possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver (which term includes, for the purpose of this paragraph, RSM Richter Inc. in its capacity as the Monitor (as defined below) and the Receiver's partners, employees, agents, consultants, solicitors, and other persons engaged by the Receiver for the purpose of its administration of the receivership) shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. The term "Monitor" shall mean RSM Richter Inc. in its capacity as the monitor appointed by the OSC and the AMF of Gestion de Placements Norshield (Canada) Ltée/Norshield Asset Management (Canada) Ltd., Olympus United Funds Corporation/Corporation de Fonds Unis Olympus, and Olympus United Bank and Trust SCC.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees and disbursements of the Receiver, its agents and the fees and disbursements of its legal counsel, incurred at the normal rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (the "Receiver's Charge").

20. THIS COURT ORDERS that the Receiver shall be authorized and directed to retain the law firms of Thornton Grout Finnigan LLP and Goldstein, Flanz & Fishman LLP as legal counsel to the Receiver.

21. THIS COURT ORDERS the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and their legal counsel are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

22. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

23. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge.

24. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

25. THIS COURT ORDERS that the Receiver may at any time apply for its discharge as Receiver without any further obligation in the event that the Property is not, in the opinion of the Receiver, likely to be sufficient to indemnify the Receiver for its remuneration, costs, expenses and liabilities.

26. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

27. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis.

SERVICE

28. THIS COURT ORDERS that the Receiver is at liberty to serve notice of its appointment as Receiver by placing advertisements regarding such appointment substantially in the form attached hereto as Schedule "C" in at least two (2) Canadian daily newspapers with national distribution, and such advertisements shall constitute effective notice of the appointment of the Receiver and all Persons shall be deemed, absent evidence to the contrary, to have received notice of the appointment.

29. THIS COURT ORDERS that, except as otherwise specified herein, the Receiver is at liberty to serve any notice, form or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective addresses or other contact particulars as last indicated in the records of the Debtors and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.

30. THIS COURT ORDERS that the Receiver may serve any court materials in these proceedings (including, without limitation, application records, motion records, facta and orders) on all represented parties electronically, by e-mailing a PDF or other electronic copy of such materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list, and posting a copy of the materials to an internet website to be hosted by the Receiver or its designee (the "Website") as soon as practicable thereafter, provided that the Receiver shall deliver hard copies of such materials to any party requesting same as soon as practicable thereafter.

31. THIS COURT ORDERS that any party in these proceedings (other than the Debtors) may serve any court materials (including, without limitation, application records, motion records, facta and orders) electronically, by emailing a PDF or other electronic copy of all materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list; provided that such party shall deliver both PDF or other electronic copies and hard copies of full materials to counsel to the Receiver and to any other party requesting same and the Receiver shall cause a copy to be posted to the Website, all as soon as practicable thereafter.

32. THIS COURT ORDERS that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings unless such Person has served a Notice of Appearance on the solicitors for the Receiver and has filed such notice with this Court.

BANKRUPTCY AND CCAA

33. THIS COURT ORDERS that with leave of the Court first being obtained the Receiver shall be entitled to make an assignment in bankruptcy on behalf of the Debtors to initiate any proceeding under the BIA, the CCAA, the *Canada Business Corporations Act*, the *Winding-Up and Restructuring Act* (Canada) or any other similar legislation in Canada or elsewhere in respect of one or more of the Debtors or the Property or in respect of any party related to or affiliated with any present or former employees, officers or directors of a Debtor.

34. THIS COURT ORDERS that the Receiver be and it is hereby authorized to issue an Application for a Bankruptcy Order against the Debtors on an individual or consolidated basis.

35. THIS COURT ORDERS that, in the event that the Receiver obtains a Bankruptcy Order against the Debtors on a consolidated basis, the Official Receiver be and it is hereby directed to open one estate file and to assign one estate file number to the consolidated estate.

GENERAL

36. THIS COURT ORDERS AND DIRECTS the Toronto Police Services to assist the Receiver in carrying out its duties under this Order, including assisting the Receiver in obtaining access to any premises leased or owned by the Debtors.

37. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

38. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy or monitor under the CCAA in respect of the Debtors, with leave of the Court first being obtained.

39. THIS COURT ORDERS that nothing contained in this Order shall prevent the Receiver from acting as a provisional administrator under the laws of the Province of Quebec, including, but not limited to, the *Securities Act* (Quebec).

40. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada (including, without limitation, the Superior Court of Quebec), the United States or elsewhere (including without limitation the Commonwealth of the Bahamas and Barbados) to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order, including, without limitation, to assist the Receiver to take possession of or to control the Property, including Property held by third parties or parties affiliated or related to the Debtors or any one of them, as well as to enforce the stay of proceedings described herein in respect of the Debtors and the Property.

41. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

42. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 2 9 2005

PER/PAR

SCHEDULE "A"

NORSHIELD GROUP FUNDS

Olympus United Multi-Asset
Olympus United Diversified
Olympus United Global Trading
Olympus United Global Trading (F)
Olympus United Univest Fund II CAN$
Olympus United Univest Fund II US$
Olympus United Univest Fund DPP CAD$
Olympus United Univest Fund II (F)
Olympus United Momentum Fund
Olympus United Momentum (F) Fund
Olympus United Univest Fund DPP US$
Olympus United Univest II (F) USD
Olympus United Univest II High Net Worth
Olympus United Tactical Trading
Olympus United Tactical Trading (F)

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. ____________

AMOUNT $__________________

1. THIS IS TO CERTIFY that RSM Richter Inc., the receiver (the "Receiver") of all of the assets, undertakings and properties of [Norshield]. appointed by Order of the Ontario Superior Court of Justice (the "Court") dated the ___ day of ______, 2005 (the "Order") made in an application having Court file number ___________, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $__________, being part of the total principal sum of $__________ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _______ day of each month] after the date hereof at a notional rate per annum equal to the rate of ______ per cent above the prime commercial lending rate of Bank of ________ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____________, 2005.

RSM Richter Inc., solely in its capacity
as Receiver, and not in its personal capacity

Per: ______________________________

Name:

Title:

SCHEDULE "C"

NOTICE

in respect of

[Norshield et al.] (collectively, the "Debtors")

Please be advised that pursuant to the Order of the Honourable. Justice • of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 in Court File No. • (the "Order"), RSM Richter Inc. has been appointed as Receiver (the "Receiver") of all of the Debtors' assets, undertakings and properties. The appointment of the Receiver was made under Section 129 of the Ontario *Securities Act.*

A copy of the Order and other information regarding the Receiver's appointment are available online at www.•. The Receiver has established a helpline available at (•).

ONTARIO SECURITIES COMMISSION
Plaintiff

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.

Defendant

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced in Toronto

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 2200, P.O. Box 329
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Toronto, Ontario
M5K 1K7

Grant B. Moffat/Greg Azeff
Law Society No.: 32380L 1D / 45324C
Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for RSM Richter Inc., solely in its capacityas Receiver, and not in its personal capacity

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

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
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Toronto, ON M5K 1K7

John L. Finnigan (LSUC# 240408)
Gregory R. Azeff (LSUC# 45324C)

Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for RSM Richter Inc., in its capacity as Receiver of the Norshield Group.

SCHEDULE “D”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY, THE 14th DAY
	)	
MR. JUSTICE C.L. CAMPBELL	)	OF OCTOBER, 2005

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

ORDER

THIS MOTION, made by RSM Richter Inc. in its capacity as receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., Norshield Investment Corporation and Norshield Capital Management Corporation (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Raymond Massi sworn October 12, 2005 and the Exhibits thereto, and on hearing the submissions of counsel for the Receiver,

SERVICE

1. THIS COURT ORDERS that this motion is properly made without notice.

2. THIS COURT ORDERS that this Order shall be served on the persons affected by this Order as soon as reasonably possible after this Order has been issued and entered.

AMENDMENT

3. THIS COURT ORDERS that the Order of this Court dated September 9, 2005 (the "September 9 Order"), a copy of which is attached as Schedule "A" hereto shall be and the same is hereby amended by deleting the name "Norshield Investment Corporation" from paragraph 3(i) of the September 9 Order and substituting therefore the name "Honeybee Software Technologies Inc./ Technologies de Logiciels Honeybee Inc."

4. THIS COURT ORDERS that any interested person may apply to this Court to vary or rescind to this Order or seek relief on seven (7) days' written notice to the Receiver and to any other person likely to be affected by the Order sought, or on such other notice as this Court may order, provided that nothing in this paragraph shall act to extend any applicable appeal.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

OCT 1 7 2005

PER/PAR: NB

SCHEDULE “A”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY THE 9TH DAY
	)	
MR. JUSTICE C.L. CAMPBELL	)	OF SEPTEMBER, 2005

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

ORDER

THIS APPLICATION, made by RSM Richter Inc. in its capacity as receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Raymond Massi sworn September 9, 2005 and the Exhibits thereto, and on hearing the submissions of counsel for the Receiver,

SERVICE

1. THIS COURT ORDERS that this motion is properly made without notice.

2. THIS COURT ORDERS that this Order shall be served on the persons affected by this Order as soon as reasonably possible after the Receiver has taken control of the assets, undertakings and properties of the Additional Entities (as defined below)

APPOINTMENT

3. THIS COURT ORDERS that pursuant to section 101 of the *Courts of Justice Act* (Ontario), RSM Richter Inc. is hereby appointed Receiver, without security, of all property, assets and undertaking of the following entities:

(i) Norshield Investment Corporation; and

(ii) Norshield Capital Management Corporation,

(together the "Additional Entities") all in accordance with the provisions of the Order of the Honourable Mr. Justice C.L. Campbell of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 (the "Initial Order", a copy of which is attached hereto as Schedule "A"), and the definition of "Debtors" set out in the Initial Order shall be and it is hereby amended to also include the Additional Entities.

REQUEST FOR ASSISTANCE

4. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All such courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

5. THIS COURT ORDERS that any other interested person may apply to this Court to vary or rescind this Order or seek other relief on seven days' written notice to the Receiver and to any other person likely to be affected by the order sought, or on such other notice as this Court may order, provided that nothing in this section shall act to extend any applicable appeal period.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 0 9 2005

PER/PAR

SCHEDULE "A"

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	WEDNESDAY, THE 29th DAY
	)	
MR. JUSTICE CAMPBELL	)	OF JUNE, 2005

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
JUSTITIA

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

INITIAL ORDER

THIS APPLICATION, made by the Ontario Securities Commission (the "Commission") for an Order pursuant to section 129 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act") appointing RSM Richter Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of 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 and Groupe Olympus United Inc./Olympus United Group Inc., (collectively, the "Debtors", which term for greater certainty includes any of them) was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Richard Radu sworn June 29, 2005 and the Exhibits thereto, the letter from the Autorité des Marchés Financiers ("AMF") supporting the relief sought by the Applicant herein, on hearing the submissions of counsel for the Commission, and on reading the consent of RSM Richter Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 129 of the Act, RSM Richter Inc. is hereby appointed Receiver, without security, of all of the Debtors' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "Debtors' Property") and any assets, undertakings, properties, claims and rights of recourse against any third parties, relating to the Debtors' business, including without limitation, that which is in the possession or under the control of the Debtors or any other Person (as defined herein) including cash, deposit instruments, securities or other property held in trust for any other person, including, without limitation, retail and institutional investors (collectively, the "Other Property"), such appointment to be for a period of 15 days from the date hereof, subject to further Order of the Court.

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Debtors' Property and the Other Property (collectively the "Property") and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

(a) to take possession and control of the Property including, without limitation, any Property held in segregated accounts, non-segregated

accounts, trust accounts, custodial accounts or segregated cells in the name of or on behalf of any of the Debtors and any and all proceeds, receipts and disbursements arising out of or from the Property;

(b) to receive and collect all monies, dividends or other amounts payable in respect of the Property;

(c) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;

(e) to engage such investment managers, fund managers, portfolio managers, hedge fund managers and other financial professionals from time to time and on whatever basis, including on a temporary basis, as may in the opinion of the Receiver be appropriate;

(f) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to carry out the terms of the Receiver's appointment;

(g) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;

(h) to settle, extend or compromise any indebtedness owing to the Debtors;

(i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;

(j) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;

(k) subject to the stay of proceedings referred to herein, to initiate, prosecute and continue the prosecution of any and all proceedings and to defend or intervene in all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(l) to report to, meet with and discuss with any party deemed necessary or advisable by the Receiver, including without limitation any secured and unsecured creditors of the Debtors, investors in any of the Debtors, any other stakeholders of the Debtors, any entity in which any Property has been directly or indirectly invested and any of their advisors as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(m) to perform any investigation or enquiry related to the Debtors or the Property required by the Receiver to carry out the terms of this Order including, without limitation, to compel any Person to be examined under oath in respect of the Debtors, the Property or any matters relating thereto;

(n) without limiting the foregoing subparagraph (l), to report to, meet with and discuss with any domestic and foreign regulatory bodies including provincial securities commissions and any securities exchanges and their advisors as the Receiver deems appropriate on all matters relating to the

Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

(q) to enter into arrangements with any trustee in bankruptcy or monitor appointed pursuant to the *Companies' Creditors Arrangement* Act (Canada) (the "CCAA") in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors and the power to lend money to or indemnify any such trustee, such trustee borrowings or indemnity not to exceed $100,000 unless otherwise increased by this Court;

(r) to negotiate and enter into an extension of any real property lease where the Receiver considers it advisable to do so, on such terms as the Receiver considers appropriate;

(s) to repudiate any real property lease where the Receiver considers it advisable to do so;

(t) to repudiate leases in respect of equipment leased by the Debtors, and to return any such equipment to the lessors;

(u) to arrange for the liquidation of such equipment and property of the Debtors as the Receiver considers advisable;

(v) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;

(w) to enter into, terminate, suspend, extend, amend and/or postpone any and all financial contracts entered into or to be entered into by any of the Debtors with any other party; and

(x) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver without charge to the Receiver, shall provide the Receiver with account numbers and/or names under which Property may be held by third parties, shall deliver all such Property to the Receiver upon the Receiver's request, and shall disclose to the Receiver, upon demand being made therefor by the Receiver, any and all information and documentation regarding any transactions between a Debtor and any Person as well as any transaction entered into between a Debtor and any party related to or affiliated with a present or former director, officer or employee of a Debtor.

5. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to take possession and control of any funds held in the name of the Debtors, in any former names of the Debtors or by a third party for the benefit of the Debtors, or any stakeholders of the Debtors, including, without limitation, all amounts standing to the credit or in the name of any of the funds listed at Schedule "A" hereto.

6. THIS COURT ORDERS that all Persons shall forthwith and without charge advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and

accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors or the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information

8. THIS COURT ORDERS that Internet Service Providers and other Persons which provide e-mail, world wide web, file transfer protocol, Internet connection or other similar services to the Debtors and/or their present and former directors, officers, employees and agents shall deliver to the Receiver all documents, server files, archive files and any other information in any form in any way recording messages, e-mail correspondence or other information sent or received by such directors, officers, employees or agents in the course of their association with the Debtors.

NO PROCEEDINGS AGAINST THE RECEIVER

9. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court, provided that nothing herein shall prevent the commencement or continuation of any proceedings against the Debtors by the Commission or by the AMF.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Debtors or affecting the Property are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment (provided, however, that the Receiver shall not be required to comply with any statutory or regulatory reporting requirements imposed upon the Debtor solely by virtue of its appointment as Receiver), or (iii) prevent the filing of any registration to preserve or perfect a security interest or a claim for lien. Without limiting the foregoing, the rights and remedies against the Debtors or affecting the Property which are hereby stayed and suspended shall include all rights and remedies relating to the shares, securities, debentures, notes, bonds or other instruments issued by or on behalf of the Debtors or in respect of the Property including, without limitation, futures contracts, options, derivatives, swaps and other financial contracts in respect of present or future rights or obligations.

NO INTERFERENCE WITH THE RECEIVER

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, arrangement, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of or realization upon all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. THIS COURT ORDERS that the employment of each employee of and the engagement of any independent contractor or consultant to the Debtors is hereby terminated and that no present or past director, officer or employee of a Debtor may hereafter purport to act on behalf of a Debtor or enter into any agreements in respect of the Debtor or the Property. The Receiver shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction, provided that pursuant to subsection 14.06(1.2) of the BIA, the Receiver shall not be liable for any amount that is or could be due to an employee by the Debtors including, without limitation, any amount calculated by reference to any period of employment, service or seniority that precedes the date of this Order. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA.

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to any party to the extent desirable or required to carry out the provisions of this Order. Each person to whom such personal information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that the Receiver shall promptly advise the Ontario Ministry of the Environment of any obvious or known environmental condition existing on or in any of the Property in accordance with applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it in fact takes possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver (which term includes, for the purpose of this paragraph, RSM Richter Inc. in its capacity as the Monitor (as defined below) and the Receiver's partners, employees, agents, consultants, solicitors, and other persons engaged by the Receiver for the purpose of its administration of the receivership) shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. The term "Monitor" shall mean RSM Richter Inc. in its capacity as the monitor appointed by the OSC and the AMF of Gestion de Placements Norshield (Canada) Ltée/Norshield Asset Management (Canada) Ltd., Olympus United Funds Corporation/Corporation de Fonds Unis Olympus, and Olympus United Bank and Trust SCC.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees and disbursements of the Receiver, its agents and the fees and disbursements of its legal counsel, incurred at the normal rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (the "Receiver's Charge").

20. THIS COURT ORDERS that the Receiver shall be authorized and directed to retain the law firms of Thornton Grout Finnigan LLP and Goldstein, Flanz & Fishman LLP as legal counsel to the Receiver.

21. THIS COURT ORDERS the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and their legal counsel are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

22. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

23. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge.

24. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

25. THIS COURT ORDERS that the Receiver may at any time apply for its discharge as Receiver without any further obligation in the event that the Property is not, in the opinion of the Receiver, likely to be sufficient to indemnify the Receiver for its remuneration, costs, expenses and liabilities.

26. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

27. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis.

SERVICE

28. THIS COURT ORDERS that the Receiver is at liberty to serve notice of its appointment as Receiver by placing advertisements regarding such appointment substantially in the form attached hereto as Schedule "C" in at least two (2) Canadian daily newspapers with national distribution, and such advertisements shall constitute effective notice of the appointment of the Receiver and all Persons shall be deemed, absent evidence to the contrary, to have received notice of the appointment.

29. THIS COURT ORDERS that, except as otherwise specified herein, the Receiver is at liberty to serve any notice, form or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective addresses or other contact particulars as last indicated in the records of the Debtors and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.

30. THIS COURT ORDERS that the Receiver may serve any court materials in these proceedings (including, without limitation, application records, motion records, facta and orders) on all represented parties electronically, by e-mailing a PDF or other electronic copy of such materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list, and posting a copy of the materials to an internet website to be hosted by the Receiver or its designee (the "Website") as soon as practicable thereafter, provided that the Receiver shall deliver hard copies of such materials to any party requesting same as soon as practicable thereafter.

31. THIS COURT ORDERS that any party in these proceedings (other than the Debtors) may serve any court materials (including, without limitation, application records, motion records, facta and orders) electronically, by emailing a PDF or other electronic copy of all materials (other than any book of authorities) to counsels' e-mail addresses as recorded on the service list; provided that such party shall deliver both PDF or other electronic copies and hard copies of full materials to counsel to the Receiver and to any other party requesting same and the Receiver shall cause a copy to be posted to the Website, all as soon as practicable thereafter.

32. THIS COURT ORDERS that, unless otherwise provided herein or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings unless such Person has served a Notice of Appearance on the solicitors for the Receiver and has filed such notice with this Court.

BANKRUPTCY AND CCAA

33. THIS COURT ORDERS that with leave of the Court first being obtained the Receiver shall be entitled to make an assignment in bankruptcy on behalf of the Debtors to initiate any proceeding under the BIA, the CCAA, the *Canada Business Corporations Act*, the *Winding-Up and Restructuring Act* (Canada) or any other similar legislation in Canada or elsewhere in respect of one or more of the Debtors or the Property or in respect of any party related to or affiliated with any present or former employees, officers or directors of a Debtor.

34. THIS COURT ORDERS that the Receiver be and it is hereby authorized to issue an Application for a Bankruptcy Order against the Debtors on an individual or consolidated basis.

35. THIS COURT ORDERS that, in the event that the Receiver obtains a Bankruptcy Order against the Debtors on a consolidated basis, the Official Receiver be and it is hereby directed to open one estate file and to assign one estate file number to the consolidated estate.

GENERAL

36. THIS COURT ORDERS AND DIRECTS the Toronto Police Services to assist the Receiver in carrying out its duties under this Order, including assisting the Receiver in obtaining access to any premises leased or owned by the Debtors.

37. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

38. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy or monitor under the CCAA in respect of the Debtors, with leave of the Court first being obtained.

39. THIS COURT ORDERS that nothing contained in this Order shall prevent the Receiver from acting as a provisional administrator under the laws of the Province of Quebec, including, but not limited to, the *Securities Act* (Quebec).

40. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada (including, without limitation, the Superior Court of Quebec), the United States or elsewhere (including without limitation the Commonwealth of the Bahamas and Barbados) to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order, including, without limitation, to assist the Receiver to take possession of or to control the Property, including Property held by third parties or parties affiliated or related to the Debtors or any one of them, as well as to enforce the stay of proceedings described herein in respect of the Debtors and the Property.

41. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

42. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 2 9 2005

PER/PAR

Alcuffe J.

SCHEDULE "A"

NORSHIELD GROUP FUNDS

Olympus United Multi-Asset
Olympus United Diversified
Olympus United Global Trading
Olympus United Global Trading (F)
Olympus United Univest Fund II CAN$
Olympus United Univest Fund II US$
Olympus United Univest Fund DPP CAD$
Olympus United Univest Fund II (F)
Olympus United Momentum Fund
Olympus United Momentum (F) Fund
Olympus United Univest Fund DPP US$
Olympus United Univest II (F) USD
Olympus United Univest II High Net Worth
Olympus United Tactical Trading
Olympus United Tactical Trading (F)

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. ____________

AMOUNT $___________________

1. THIS IS TO CERTIFY that RSM Richter Inc., the receiver (the "Receiver") of all of the assets, undertakings and properties of [Norshield]. appointed by Order of the Ontario Superior Court of Justice (the "Court") dated the ___ day of ______, 2005 (the "Order") made in an application having Court file number ___________, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $__________, being part of the total principal sum of $__________ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _______ day of each month] after the date hereof at a notional rate per annum equal to the rate of ______ per cent above the prime commercial lending rate of Bank of ________ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____________, 2005.

RSM Richter Inc., solely in its capacity
as Receiver, and not in its personal capacity

Per: ________________________________

Name:
Title:

SCHEDULE "C"

NOTICE

in respect of
[Norshield et al.] (collectively, the "Debtors")

Please be advised that pursuant to the Order of the Honourable. Justice • of the Ontario Superior Court of Justice (Commercial List) dated June 29, 2005 in Court File No. • (the "Order"), RSM Richter Inc. has been appointed as Receiver (the "Receiver") of all of the Debtors' assets, undertakings and properties. The appointment of the Receiver was made under Section 129 of the Ontario *Securities Act*.

A copy of the Order and other information regarding the Receiver's appointment are available online at www.•. The Receiver has established a helpline available at (•).

ONTARIO SECURITIES COMMISSION
Plaintiff

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.

Defendant

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced in Toronto

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 2200, P.O. Box 329
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

Grant B. Moffat/Greg Azeff
Law Society No.: 32380L 1D / 45324C
Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for RSM Richter Inc., solely in its capacityas Receiver, and not in its personal capacity

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

ORDER

ThorntonGroutFinnigan LLP
Barristers and Solicitors
Suite 3200, Canadian Pacific Tower
100 Wellington Street West
P.O. Box 329
Toronto-Dominion Centre
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John L. Finnigan (LSUC# 240408)
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Tel: (416) 304-1616
Fax: (416) 304-1313

Solicitors for RSM Richter Inc., in its capacity as Receiver of the Norshield Group.

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

ORDER

ThorntonGroutFinnigan LLP
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Solicitors for RSM Richter Inc., in its capacity as Receiver of the Norshield Group.

SCHEDULE “E”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

THE HONOURABLE MR.	)	**WEDNESDAY, THE 13th**
	)	
JUSTICE C.L. CAMPBELL	)	**DAY OF JANUARY, 2010**

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

ORDER

THIS MOTION, made by RSM Richter Inc. in its capacity as receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of 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., Norshield Capital Management Corporation/Corporation Gestion de l'Actif Norshield and Honeybee Software Technologies Inc./Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation/Corporation d'investissement Norshield) (collectively, the "Norshield Companies", which term for greater certainty includes any of them) was heard on November 24, 2008 and November 9, 2009 at 330 University Avenue, Toronto, Ontario.

AND THIS CROSS-MOTION, made by Brooks, Di Santo, Peter Marini and Fred Ragonese (the "Brooks, Di Santo Parties"), was heard on November 9, 2009 at 330 University Avenue, Toronto, Ontario.

ON READING the Receiver's Motion Record dated October 30, 2008 (containing the Receiver's Notice of Motion dated October 30, 2008 and the Receiver's Twelfth Report dated October 30, 2008), the Factum of the Receiver dated November 18, 2008, the Factum of the Brooks, Di Santo Parties dated November 20, 2008 and related Compendium, the Notice of Motion of the Receiver returnable May 1, 2007, the Order of this Honourable Court dated May 1, 2007, the letter of Fasken Martineau to ThorntonGroutFinnigan LLP dated November 28, 2008, the letter of ThorntonGroutFinnigan LLP to Fasken Martineau dated December 10, 2008, the Supplemental Twelfth Report of the Receiver dated August 17, 2009 (the "Receiver's Supplemental Twelfth Report"), the Notice of Motion of the Brooks, Di Santo Parties dated September 18, 2009 and related Compendium, the Factum of the Receiver dated November 5, 2009 and the Amended Notice of Motion of the Receiver dated November 9, 2009 in accordance with the relief sought in the Receiver's Supplemental Twelfth Report, and on hearing the submissions of counsel for the Receiver and counsel for the Brooks, Di Santo Parties:

1. **THIS COURT ORDERS** that the Receiver shall be and is hereby granted leave to commence the alternative claim by issuing the Motion to Institute Proceedings in the form attached hereto as Schedule "A" (the "Claim") on the condition that, in doing so, the Receiver shall not use directly any of the information obtained solely as a result of the examination of the Brooks, Di Santo Parties on December 19, 2005, January 16, 20 and 25, February 13 and August 23, 2006, March 27, May 2, 8, and 29 and June 6, 2007 (the "Transcript Evidence"). For greater certainty, the Receiver shall not disclose or discuss the Transcript Evidence, or the information derived therefrom, with new counsel or the litigation manager in connection with the issuance of the Claim.

2. **THIS COURT ORDERS** that the Receiver shall retain new counsel and a new litigation manager in connection with the Claim.

3. **THIS COURT ORDERS** that the Receiver shall provide to the Court on a confidential basis (but on notice to counsel for the Brooks, Di Santo Parties) a plan for representation of the Receiver in the Claim that the Receiver believes will allow an action to proceed but without risk the Transcript Evidence or information from it be used, at least at this stage, in the prosecution of the Claim.

4. **THIS COURT ORDERS** that on the return for Court approval of the Receiver's proposed plan of action, either side may seek further direction in accordance with the Reasons of the Honourable Mr. Justice Campbell dated January 13, 2010.

5. **THIS COURT ORDERS** that the Receiver's Supplemental Twelfth Report be kept under protective order, subject to further Order of this Honourable Court. Further submissions, if necessary, may be made on this issue.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 20 2010

PER / PAR: JS

Joanne Nicoara
Registrar, Superior Court of Justice

C Campbell J.

SCHEDULE "A"

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
N^{o}:

SUPERIOR COURT
(Commercial Division)

RSM RICHTER INC., a legal person having its principal place of business at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in its capacity as Receiver** of all of the assets, undertakings and properties of Olympus United Funds Corporation and Olympus United Funds Holdings Corporation

-and-

RAYMOND MASSI, Chartered Accountant and Chartered Insolvency Practitioner Professional, residing and domiciled at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

GEORGE CLIFFORD CULMER, Chartered Accountant, with the accounting firm BDO Mann Judd, residing and domiciled at 3rd Floor, Ansbacher Building, P.O. Box N-10144, Nassau, The Bahamas, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

Plaintiffs

v.

BROOKS, DI SANTO, an undeclared partnership of Peter Marini and Fred Ragonese, having its principal place of business at 6455 Jean-Talon East, Suite 700, Montréal, Quebec H1S 3E8

-and-

PETER MARINI, Chartered Accountant, residing and domiciled at 8580 Les Prévoyants Road, Montréal, Québec, H1P 2T1

-and-

FRED RAGONESE, Chartered Accountant, residing and domiciled at 1514 Lemaistre Road, Montréal, Québec, H2M 2C1

Defendants

MOTION TO INSTITUTE PROCEEDINGS

TO A JUDGE OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION FOR THE JUDICIAL DISTRICT OF MONTREAL, PLAINTIFFS STATE AS FOLLOWS:

I. BACKGROUND

1. Plaintiffs were appointed by the Ontario Superior Court of Justice (Commercial List) on June 29, 2005 and by the Supreme Court of the Commonwealth of The Bahamas on January 20, 2006 to, *inter alia*, ascertain and preserve the assets of certain companies in the Norshield Group of Companies, described more fully below.

2. The operations of the Norshield Group of Companies were substantially suspended in 2005.

3. Several entities in the Norshield Group of Companies directly or indirectly held substantial investments in Channel Fixed Income Fund Ltd., Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. (collectively the "**Channel Funds**") and relied upon the audited financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 (the "**Channel Fund Financial Statements**") in making or maintaining investments therein.

4. Defendant Brooks, Di Santo was engaged to audit the Channel Fund Financial Statements.

5. Defendant Brooks, Di Santo was at all relevant times, an unregistered firm of chartered accountants, in which Defendants Peter Marini ("**Marini**") and Fred Ragonese ("**Ragonese**") were partners.

6. All of the audit work performed by Defendant Brooks, Di Santo in connection with the audits of the Channel Fund Financial Statements was performed by Defendants Marini and Ragonese.

7. Without limiting the generality of the foregoing, for each of the fiscal years ended September 30, 2002 and September 30, 2003, Defendant Brooks, Di Santo was engaged to conduct an audit of the financial statements of the Channel Funds, and to express an opinion as to whether those financial statements present fairly, in all material respects, the financial position of the Channel Funds and the results of their operations.

8. Defendant Brooks, Di Santo issued unqualified audit reports in relation thereto.

9. In fact, the carrying value of the investments and accounts receivable on the Channel Fund Financial Statements for the fiscal years ended September 30, 2002 and September 30, 2003 were significantly impaired, to the extent of more than $300 million.

10. Had it not been for the negligence of Defendants, the impairment of the carrying value of the investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. The operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

11. Instead, the misleading financial information arising from Defendants' negligence resulted in an increase in losses suffered by the entities being liquidated by Plaintiffs and a decrease in assets from which to recover their investments, from February 2003 onward.

A) THE NORSHIELD GROUP OF COMPANIES

12. The Norshield Group of Companies consists of a complex corporate structure of companies incorporated in Canada, Barbados, The Bahamas and the United States, including, *inter alia*:

(a) In Canada:

(i) Corporation de Fonds Unis Olympus / Olympus United Funds Corporation (formerly First Horizon Holdings Ltd.) ("**OUFC**");

(ii) Gestion de Placements Norshield (Canada) Ltée / Norshield Asset Management (Canada) Ltd. ("**NAM**");

(iii) Gestion des Partenaires d'Investissement Norshield Ltée / Norshield Investment Partners Holdings Ltd. (formerly Olympus United Holdings Inc.) ("**Norshield Partners**");

(iv) Groupe Olympus United Inc. / Olympus United Group Inc. ("**Olympus Group**");

(v) Honeybee Software Technologies Inc. / Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation ("**NIC**")/ Corporation d'Investissement Norshield) ("**Honeybee**");

(vi) Norshield Capital Management Corporation / Corporation Gestion de l'Actif Norshield ("**NCMC**");

(vii) Olympus United Funds Holdings Corporation;

(b) In Barbados, Olympus United Bank and Trust SCC ("**OUBT**");

(c) In The Bahamas:

(i) Mosaic Composite Limited, which appears to have since amalgamated with an American company to form Mosaic Composite Limited (U.S.), Inc. ("**Mosaic**") in the United States;

(ii) Olympus Univest Ltd. ("**OUL**");

(iii) Channel Funds;

(d) In the United States:

(i) Mosaic;

(ii) Norshield Investment Partners Inc.;

(collectively referred to as the "**Norshield Group of Companies**").

B) APPOINTMENT OF THE RECEIVER AND JOINT OFFICIAL LIQUIDATORS

13. Plaintiff RSM Richter Inc. (the "**Receiver**"), is the Receiver of all of the assets, undertakings and properties of NAM, Norshield Partners, Olympus United Funds Holdings Corporation, OUFC, OUBT, Olympus Group, NCMC and Honeybee (collectively referred to as the "**Canadian Receivership Companies**"), pursuant to:

(a) An initial order rendered on June 29, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) appointing Plaintiff RSM Richter Inc. as Receiver (the "**Initial Order**");

(b) A Judgment rendered on June 30, 2005 by the Honourable Mr. Justice Jean Guibault of this Honourable Court, confirming the appointment of the Receiver and giving effect to the Initial Order in the Province of Quebec;

(c) An order rendered on July 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List), continuing the appointment of the Receiver, pursuant to the Initial Order;

(d) Orders rendered on September 9, 2005 and October 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) extending the appointment of the Receiver to the assets, undertakings and properties of NCMC and NIC (now Honeybee) (the "**Additional Order**");

(e) A Judgment rendered on September 16, 2005 by the Honourable Mr. Justice Paul G. Chaput of this Honourable Court, confirming the appointment of the Receiver with respect to the Canadian Receivership Companies and giving effect to the Additional Order in the Province of Quebec.

14. The Receiver and Brian F. Griffith & Company, a Barbados accounting firm, were appointed Joint Custodians of OUBT by Order of the Barbados High Court of Justice dated September 22, 2005.

15. Plaintiffs Raymond Massi, a partner of the Receiver, and G. Clifford Culmer, a partner of BDO Mann Judd, an accounting firm operating in The Bahamas, were appointed:

(a) Joint Official Liquidators of OUL, by Order dated February 6, 2006 of the Supreme Court of the Commonwealth of The Bahamas;

(b) Joint Receivers of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 20, 2006;

(c) Joint Provisional Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated March 22, 2006; and

(d) Joint Official Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 23, 2007.

C) MANDATE OF BROOKS, DI SANTO

16. Defendants were engaged to examine the books and records, accounts, internal controls and procedures of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003.

17. Defendants audited the Channel Fund Financial Statements and issued unqualified audit reports thereon, the whole as appears more fully from the Channel Fund Financial Statements:

(a) for the fiscal year ended September 30, 2002, communicated herewith as **Exhibit P-1**;

(b) for the fiscal year ended September 30, 2003, communicated herewith as **Exhibit P-2**;

18. Defendants obtained only one engagement letter for the audit of the Channel Fund Financial Statements, for the fiscal year ended September 30, 2002, the whole as appears from the engagement letter dated December 16, 2002, communicated herewith as **Exhibit P-3.**

19. The audit work relating to the Channel Fund Financial Statements was performed in Montreal, notwithstanding that the Channel Funds were located in The Bahamas.

20. Defendants Marini and Ragonese, who are both partners in Defendant Brooks, Di Santo, were the only accountants that performed any work in connection with the audits of the Channel Funds for the fiscal years 2002 and 2003.

21. The auditor's reports issued by Defendant Brooks, Di Santo on the Channel Fund Financial Statements were unqualified, and represented that the financial statements were prepared in accordance with international accounting standards.

22. The Channel Fund Financial Statements grossly misstated the actual financial position of the Channel Funds and concealed the true picture.

23. In their audit of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, all Defendants failed:

    (a) to exercise the degree of care required;

    (b) to determine that the carrying value of investments and receivables was materially overstated;

    (c) to determine that there was inadequate disclosure of related party transactions;

    (d) to determine that revenue and profits were overstated;

    (e) to determine that substantially all the assets were not owned by the Channel Funds; and

    (f) to advise the Channel Funds of the inadequate supervision and internal controls over their investments.

24. The Channel Fund Financial Statements were misleading and negligently prepared, in that, *inter alia*:

    (a) the Channel Fund Financial Statements reflected inflated carrying values of all assets recorded therein, without recognition of any significant impairment, despite the fact that the carrying values of the investments and accounts receivable of the Channel Funds were significantly impaired to the extent of more than

$300,000,000 for the fiscal years ended September 30, 2002 and September 30, 2003;

(b) material assets reflected on the Channel Fund Financial Statements were not owned by the Channel Funds, in that:

(i) assets were subject to option agreements pursuant to which the options had never been exercised (including First Horizon Holdings Ltd., MicroSlate Inc., Vezina Composites Inc. and Olympus United Holdings Inc.); and

(ii) assets were the subject of alleged ownership disputes that culminated in the total write-off thereof (including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max);

(c) material assets were reflected on the Channel Funds Financial Statements without Defendants having reviewed evidence of the Channel Funds' ownership thereof (including Mount Real Innovation Center Ltd., Niocan Inc., BDP Retirement Homes Inc., AMT International Mining Corp., Oceanwide.com Inc. and Lonald Holdings N.V. (PRB S.A.));

(d) material receivables were reflected on the Channel Fund Financial Statements without any impairment, despite the doubtful collectibility of such receivables (including a receivable in the amount of $148,000,000 from BICE International Inc. ("**BICE**"));

(e) material assets were transferred to and from related parties without disclosure of such relationships on the Channel Fund Financial Statements (including Emerald Key Management Ltd. and investments in Globe-X International).

25. The failure to disclose the existence of related party transactions allowed Mosaic to hold investments in and to continue to transact business with the Channel Funds in an imprudent fashion, on terms that were not commercially reasonable and to the detriment of the entities of which Plaintiffs are liquidators.

26. Mosaic relied upon the Channel Fund Financial Statements for maintaining its investments in the Channel Funds, and other entities within the Norshield Group of Companies relied upon the audited financial statements of Mosaic for the same purposes.

D) FLOW OF FUNDS THROUGH THE NORSHIELD GROUP OF COMPANIES

27. Relying primarily on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, *inter alia*, Mosaic maintained material and substantial investments in the Channel Funds, OUL maintained material and

substantial investments in Mosaic, OUBT made and maintained material and substantial investments in OUL, and OUFC made and maintained material and substantial investments in OUBT.

28. All amounts herein are expressed in United States dollars, unless otherwise specified.

Investments by OUFC in OUBT

29. OUFC and Olympus Group raised funds from retail investors in Canada and used those funds to make substantial and material investments in OUBT, in different classes of shares.

30. OUFC held the following investments in OUBT:

	September 30, 2003 (CDN$)	September 30, 2002 (CDN$)
Investment in OUBT	$200,751,180	$145,415,980
Total assets of OUFC	$207,912,319	$173,353,459
Total investments as a percentage of total assets	**96.6%**	**83.9%**

31. The carrying value of the investments made by OUFC in OUBT was highly material to the financial statements of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 83.9% and 96.6% of the total assets of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUBT in OUL

32. OUBT invested substantial and material amounts of the retail investors' funds in the following investments in OUL:

	September 30, 2003	September 30, 2002
Investment in OUL – Class C	$ 98,577,774	$ 61,332,555
Investment in OUL – Class B	3,123,249	1,433,509
Investment in OUL – Class E	110,586	-
Total investments in OUL	**$101,811,609**	**$ 62,766,064**
Total assets of OUBT	$149,809,062	$109,137,763
Total investments as a percentage of total assets	**68.0%**	**57.5%**

33. The carrying value of the investments made by OUBT in OUL was highly material to the financial statements of OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 57.5% and 68% of the total assets of

OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUL in Mosaic

34. OUL raised funds directly from institutional investors and other direct investors, and invested virtually all of those funds, together with the funds invested by OUBT, in the following investments in Mosaic:

	September 30, 2003	September 30, 2002
Investment in Mosaic	$403,898,308	$223,054,225
Total assets of OUL	$448,041,613	$231,244,030
Total investment as a percentage of total assets	**90.1%**	**96.5%**

35. The carrying value of investments held by OUL in Mosaic was highly material to the financial statements of OUL for the fiscal years ended September 30, 2002 and 2003, as the investments represented 96.5% and 90.1% of the total assets of OUL for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Mosaic in Channel Fixed Income Fund Ltd.

36. Mosaic held investments in Channel Fixed Income Fund Ltd., which in turn held investments in Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd.

37. Mosaic held the following investments in Channel Fixed Income Fund Ltd.:

	September 30, 2003	September 30, 2002
Fixed income securities	$143,800,000	$143,800,000
Long-term investment	162,874,434	76,611,308
Total investments in Channel Fixed Income Fund Ltd.	**$306,674,434**	**$220,411,308**
Total assets of Mosaic (net of bank loan payable)	$470,328,186	$291,248,740
Total investments as a percentage of total assets	**65.2%**	**75.7%**

38. The carrying value of the investments held by Mosaic in Channel Fixed Income Fund Ltd. was highly material to the financial statements of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 75.7% and 65.2% of the total assets of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Channel Fixed Income Fund Ltd. in the Other Channel Funds

39. Channel Fixed Income Fund Ltd. had equity interests in the following entities:

	September 30, 2003	September 30, 2002
Channel F.S. Fund Ltd.	$194,127,076	$198,223,202
Channel Technology Fund Ltd.	29,683,112	63,848,578
Channel Diversified Private Equity Fund Ltd.	9,502,936	23,768,919
Total investments	**$233,313,124**	**$285,840,699**
Total assets of Channel Fixed Income Fund Ltd.	$324,262,583	$317,480,256
Total investments as a percentage of total assets	**72.0%**	**90.0%**

40. The carrying value of those investments was highly material to the Channel Fixed Income Fund Ltd. financial statements for the fiscal years ended September 30, 2002 and September 30, 2003, as they represented 90% and 72% of the total assets of Channel Fixed Income Fund Ltd. for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

II. THE CHANNEL FUND FINANCIAL STATEMENTS

41. The Channel Fund Financial Statements purported to have been prepared in accordance with International Accounting Standards ("IAS") and audited in accordance with International Standards on Auditing ("ISA").

42. The audited carrying values of the investments and accounts receivable of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 are summarized as follows:

	Audited Book Value as at September 30, 2002	Audited Book Value as at September 30, 2003
	('000)	
Channel F.S. Fund Ltd.		
C-Max	80	
Composite	4,593	
Emerald Key Advisors	8,000	8,000
Emerald Key Management Ltd.	40,178	
First Horizon Holdings Ltd.	59,100	92,250
Globe-X International Class C	1,826	
Globe-X International Class D	1,689	
Harfang Investment Inc.	66,904	
iForum Financial Network Inc.	576	

Investsafe Limited	13,468	
Olympus United Holdings Inc.	46,085	46,085
Channel Technology Fund Ltd,		
Microslate Inc.	30,338	19,438
Oceanwide.com Inc.	14,735	14,735
Channel Diversified Private Equity Fund Ltd.		
Mount Real Innovation Center Ltd.	8,783	
Lonald Holdings N.V. (PRB S.A.)	3,221	3,221
Vezina Composites Inc.	2,881	2,882
Niocan Inc.		1,540
BDP Retirement Homes Inc.		1,000
AMT International Mining Corp.		1,000
Other		
Managed Accounts		
Cash - Cardinal International	5,291	3,524
Owed by Composite	8,265	359
Accounts Receivable - BICE	-	148,000
Accounts Receivable - Others	1,467	1,467
Total Portfolio Assets	**$317,480**	**$343,500**

(collectively the "**Portfolio Assets**").

43. In fact, the Channel Fund Financial Statements were not prepared in accordance with IAS, were not audited in accordance with ISA, were materially misleading and did not present fairly the financial position of the Channel Funds, in that, *inter alia*:

(a) substantially all of the assets carried on the Channel Fund Financial Statements were not owned by the Channel Funds and should not have been included in said financial statements.

(b) the Channel Fund Financial Statements reflected inflated carrying values for substantially all the assets recorded therein, without recognition of any significant impairment.

(c) the carrying values of the Portfolio Assets were significantly impaired to the extent of more than $300 million and should have been reflected on the Channel Fund Financial Statements, which would have resulted in:

(i) the disclosure of the insolvency of the Channel Funds; and

(ii) a denial of opinion or adverse opinion being rendered by Defendants.

III. DEPARTURE FROM IAS

Investments (IAS 27 and 39)

44. The financial statements of Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. should have been consolidated with those of their parent, Channel Fixed Income Fund Ltd. The failure to consolidate such financial statements resulted in the overstatement of the assets of Channel Fixed Income Fund Ltd. by the amount of $84 million, being the amount of a dividend receivable from Channel F.S. Fund Ltd. which arose from an artificial transaction with BICE.

45. On the Channel Fund Financial Statements, all investments were allegedly accounted for at the "lower of cost and fair value". The investments should have been classified as held-for-trading and measured at fair value, with the changes in fair value (gains and losses) recognized in net earnings. The financial assets that were not quoted in the active market should have been recorded at cost. In the case of a permanent impairment in value, a write-down should have been recorded.

Related Party Disclosures (IAS 24)

46. In the case of transactions between related parties, the Channel Funds should have, but failed to, disclose the nature of the related party relationships as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.

Non-Monetary Transactions (IAS 16)

47. The majority of the Channel Funds' portfolio investments were acquired and sold by way of non-monetary transactions whereby investments were exchanged for shares of the Channel Funds. These transactions should have been recorded at the carrying amount, without reflecting any gain or loss.

Cash Flow Statement (IAS 7)

48. The cash flow statement should report cash flows during the period, classified by operating, investing and financing activities. In the cash flow statements of the Channel Funds for the fiscal years ended September 30, 2002 and 2003, virtually all of the transactions under the investing and financing sections were non-cash transactions, but were reflected as if they were cash transactions.

IV. AUDIT NEGLIGENCE OF DEFENDANTS – DEPARTURE FROM ISA

49. Defendants failed to comply with ISA in material respects in connection with the audits of the Channel Fund Financial Statements, as appears more fully below.

A) VALUATION OF ASSETS

50. The Working Papers of Defendants for the audits of the Channel Fund Financial Statements (the "**Working Papers**") do not disclose either independent or expert third party valuations of the assets reflected on the Channel Fund Financial Statements.

51. Instead, Defendants relied upon reports prepared by non-expert, related parties in their audit of the carrying values of the assets carried on the Channel Fund Financial Statements. Management of the Channel Funds engaged Mount Real Innovation Center ("**MRIC**"), Mount Real Corporation ("**Mount Real**") and Spectrum Financial Services ("**Spectrum**") to provide support for their estimates of fair market value of the assets of the Channel Funds.

52. The Working Papers of Defendants do not disclose any audit work to determine the qualifications of those entities or of the employees thereof to perform valuations of investments.

53. Defendants relied upon the work of MRIC, Mount Real and Spectrum in performing the audits.

54. The Working Papers do not disclose any evidence of the relationship of MRIC and Mount Real to the Channel Funds. Had they made inquiries or otherwise performed appropriate audit procedures, they would have determined that MRIC itself was an investee company of the Channel Funds, as at September 30, 2002, and that MRIC's clients included other investee companies of the Channel Funds (i.e. Oceanwide.com Inc., MicroSlate Inc. and Vezina Composites Inc.).

55. Similarly, the Working Papers do not disclose that Defendants were aware that John Sykes, the alleged principal of Spectrum, was also on the board of directors of MicroSlate Inc.

B) ASSETS SUBJECT TO OPTION AGREEMENTS

56. Several investments recorded as assets on the Channel Fund Financial Statements were, in fact, not assets of the Channel Funds because they were subject to option agreements that had never been exercised.

57. Although the options were never exercised, these investments were carried on the Channel Fund Financial Statements at an aggregate value of US$138,405,515, as follows:

Subject Asset	First Option	Second Options	Increase in value	Date – First Option Date – Second Option
19.6 Common Shares of First Horizon Holdings Ltd.	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for an exercise price of: $2,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $59,100,370	$57,100,370	Both October 1, 2000
MicroSlate Inc. common shares 722 shares 713 shares 287 shares Total 1,722 shares	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for exercise prices of: $5,870,000 $5,800,000 $2,330,000 $14,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $12,720,000 $12,562,000 $5,056,423 $30,338,423	$16,338,423	Both October 1, 2000 Both June 30, 2001 Both June 30, 2002
148.5 Class A shares and 2,308,017 Class D shares of Vezina Composites Inc.	Optioned by Norshield Financial Holdings Ltd./Norshield Capital Management to Liberty Trust for an exercise price of: $1,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $2,881,946	$1,881,946	Both October 1, 2000
40 Class D shares of 3586839 Canada Inc. / Olympus United Holdings Inc.	Optioned by Norshield Financial Holdings Ltd. / John Xanthoudakis to Liberty Trust for an exercise price of: $10,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $46,084,776	$36,084,776	March 31, 2002 September 30, 2002
Total	**$27,000,000**	**$138,405,515**	**$111,405,515**	

58. Although the Working Papers do not disclose evidence of appropriate verification of the ownership and value of such investments, Defendants failed to cause the Channel Funds to not carry these as assets of the Channel Funds or to issue a qualified opinion, thus resulting in a significant overstatement of the assets of the Channel Funds.

First Horizon Holdings Ltd. (the predecessor of OUFC)

59. Shares in the capital of FHHL Holdings Limited (the predecessor of First Horizon Holdings Ltd., which is now OUFC) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of a premium of $100,000 per annum, Liberty Trust obtained an option to purchase 19.6 Class A common shares from Norshield Financial Holdings Ltd. for an exercise price of $2 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of $400,000, an option to purchase the 19.6 common shares for an amount of $59,100,370.

60. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised this option, in that the Working Papers dusclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

61. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

62. The Working Papers disclose no audit evidence to support the ownership of the investment in First Horizon Holdings Ltd. by the Channel Funds.

63. The investment was carried on the financial statements of the Channel Funds at a value of $59,100,370 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the First Horizon Holdings Ltd. shares ($59,100,370) was $57,100,370 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they apparently relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

64. The carrying value of the First Horizon Holdings Ltd. shares allegedly increased in 2003 by $33,849,000, from $59,100,370 to $92,949,370 as of September 30, 2003. The Working Papers disclose no audit evidence to support this increase in carrying value of the Channel Funds' investment in First Horizon Holdings Ltd.

65. For the purpose of valuing the First Horizon Holdings Ltd. shares, Defendants apparently relied upon documents provided by management, including:

(a) for the fiscal year ended September 30, 2002, an unsigned valuation prepared by Mount Real;

(b) for the fiscal year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

66. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

<u>MicroSlate Inc.</u>

67. MicroSlate Inc. shares were allegedly the subject of two sets of option agreements:

    (a) Under the first set of option agreements, Liberty Trust obtained from Norshield Financial Holdings Ltd.:

        (i) in exchange for the payment of an option premium of $168,000, an option to purchase 722 shares of MicroSlate Inc. for an exercise price of $5,870,000;

        (ii) in exchange for the payment of an option premium of $166,000, an option to purchase 713 shares of MicroSlate Inc. for an exercise price of $5,800,000;

        (iii) in exchange for the payment of an option premium of $66,000, an option to purchase 287 shares of MicroSlate Inc. for an exercise price of $2,330,000;

    (b) Under the second set of option agreements, entitled "Cash Settled Equity Call Options", Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust:

        (i) in exchange for the payment of an option premium of $84,000, an option to purchase 722 shares of MicroSlate Inc. for an amount of $12,720,000;

        (ii) in exchange for the payment of an option premium of $83,000, an option to purchase 713 shares of MicroSlate Inc. for an amount of $12,562,000;

        (iii) in exchange for the payment of an option premium of $33,000, an option to purchase 287 shares of MicroSlate Inc. for an amount of $5,056,423;

68. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised such options, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

69. In fact, these options were never exercised, the option premiums were never paid, and legal ownership of the shares was never transferred to the Channel Funds.

70. The Working Papers disclose no audit evidence to support the ownership of the investment in MicroSlate Inc. by the Channel Funds.

71. The investment was carried on the financial statements of the Channel Funds at a value of \$30,338,423 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the MicroSlate Inc. shares (\$30,338,423) was \$16,338,423 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first set of option agreements and the second set of option agreements, despite the fact that they relied upon the amounts stipulated in the second set of option agreements to support the carrying value of the investment in MicroSlate Inc. by the Channel Funds.

72. For the purpose of valuing the MicroSlate shares, Defendants relied upon valuations provided by management, including:

(a) For the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) For the year ended September 30, 2003, an unsigned valuation prepared by Spectrum, which purported to establish the total value of MicroSlate as being \$27,000,000, even though the company had filed for bankruptcy protection in Canada and United States. The Working Papers reveal that Defendants required the investment to be written down from \$34 million to \$19 million.

73. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

74. Defendants did not disclose the fact that George Ecker, a director of the Channel Funds, was also a director of MicroSlate.

<u>Vezina Composites Inc. (the predecessor of Composite VCI Inc.)</u>

75. Shares in the capital stock of Vezina Composites Inc. (the predecessor of Composite VCI Inc.) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of an option premium of \$50,000, Liberty Trust obtained an option to purchase 148.5 Class A shares and 2,308,017 Class D shares from Norshield Financial Holdings Ltd. for an exercise price of \$1 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of \$50,000, an option to purchase the 148.5 Class A shares and 2,308,017 Class D shares for an amount of \$2,881,946.

76. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

77. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

78. The investment was carried in the financial statements of the Channel Funds at a value of $2,881,946 for the fiscal years ended September 30, 2002 and 2003. The alleged cost to the Channel Funds of acquiring the Vezina Composites Inc. shares ($2,881,946) was $1,881,946 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

79. For the purpose of valuing the Vezina Composites Inc. shares, Defendants relied upon documents provided by management, including:

    (a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

    (b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

80. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

<u>3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners)</u>

81. The shares of 3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners) were allegedly the subject of two option agreements:

    (a) under the first option agreement, dated March 31, 2002, in exchange for the payment of an option premium of $250,000 by December 31, 2003 and $300,000 per annum thereafter, Liberty Trust obtained an option to purchase 40 Class D shares of 3586839 Canada Inc. from Norshield Financial Holdings Ltd. for an exercise price of $10 million;

(b) under the second option agreement, dated September 30, 2002, Channel Fixed Income Fund Ltd. obtained from Liberty Trust, in exchange for the payment of an option premium of $300,000, an option to purchase the 40 Class D shares of Olympus United Holdings Inc. for an amount of $46,084,776.

82. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

83. Defendants apparently continued to rely upon the option agreements, even after receiving a confirmation dated January 10, 2003 to the effect that John Xanthoudakis (rather than Norshield Financial Holdings Ltd.) was the sole shareholder of Olympus United Holdings Inc.

84. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

85. The investment was carried on the financial statements of Channel Fixed Income Fund Ltd. at a value of $46,084,778. The alleged cost to the Channel Funds of acquiring the Olympus United Holdings Inc. shares ($46,084,778) was $36,084,778 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

86. For the purpose of valuing the Olympus United Holdings Inc. shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned one-page schedule of a valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

87. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

C) ASSETS SOLD TO RELATED PARTIES

Emerald Key Management Ltd.

88. The investment of Channel F.S. Fund Ltd. in Emerald Key Management Ltd. ("**EKM**") was carried at $40,178,350 as at September 30, 2002.

89. The Working Papers contain insufficient audit evidence to support the ownership of the investment and no audit evidence to support the carrying value of this investment.

90. The only evidence of ownership appearing in the Working Papers is a share certificate of EKM dated September 30, 2002, which stated that Channel F.S. Fund held 4,750 shares. The said share certificate was signed by Stephen Hancock, as director of EKM. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

91. For the purpose of determining the value of EKM for the fiscal year ended September 30, 2002, Defendants relied upon an unsigned valuation prepared by MRIC with respect to Emerald Key Advisors, provided by management.

92. During the fiscal year ended September 30, 2003, Channel F.S. Fund Ltd. sold its investment in EKM to BICE for $148,000,000, along with Channel F.S. Fund Ltd.'s investments in Globe-X International which had a carrying value of $3,514,671 as at September 30, 2002. The $148,000,000 receivable was recorded as an asset on the audited financial statements of Channel F.S. Fund Ltd. This transaction resulted in an immediate gain of $104,306,979, even though no part of the amount of $148,000,000 was ever collected.

93. Although this receivable was highly material to the financial statements of Channel F.S. Fund Ltd., the Working Papers contain no indication that Defendants performed any audit procedures to establish its collectibility.

94. The first payment owing by BICE, in the amount of $1,900,000, was due on January 31, 2004, one day after the date of Defendant Brooks, Di Santo's audit report. The Working Papers contain no indication that Defendants performed any audit procedures to determine whether or not the payment had been made. Had they performed such standard subsequent event procedures, they would have determined that the payment had not been made, and would have had to disclose such non-payment as a subsequent event.

95. Had Defendants obtained a copy of the unaudited balance sheet of BICE during their audit, they would have determined that BICE had insufficient liquidity to pay $148,000,000 to Channel F.S. Fund Ltd. Instead, they received the balance sheet only after Defendant Brooks, Di Santo issued the September 30, 2003 audit report.

96. The Working Papers contain insufficient appropriate audit evidence as to the relationship of BICE with Channel F.S. Fund Ltd. They provide no indication that Defendants were aware of the identity of the officers, directors, shareholders or beneficial owners of BICE, and no indication that Defendants performed any audit procedures to attempt to determine same.

97. Defendants apparently accepted the sale of EKM as a sale to an arm's length third party, based on representations made by management and without evidence in the Working Papers of any further verification, when in fact:

(a) Appendix A to the sale agreement, a resolution of Channel F.S. Fund Ltd., was signed by Stephen Hancock as a director of Channel F.S. Fund Ltd.;

(b) Appendix B to the sale agreement, a resolution of BICE, was signed by Stephen Hancock as secretary of BICE;

(c) John Sykes, the alleged principal of Spectrum, was a director of BICE;

98. On July 29, 2003, the same day as its purchase of the EKM shares from Channel F.S. Fund Ltd., BICE sold to OUBT for $225 million EKM's rights to the management and incentive fee revenue stream of OUL. The value of EKM was allegedly dependant upon the assets under management of OUL.

99. There is no disclosure in the Working Papers that Defendants ever inquired as to:

(a) the creditworthiness or financial capacity of OUBT to pay the amount of $225 million, the non-payment of which would in turn have rendered BICE unable to repay its indebtedness of $148 million to the Channel F.S. Fund Ltd.;

(b) why the sale did not take place directly between Channel F.S. Fund Ltd. and OUBT;

(c) why OUBT acquired EKM for $225 million rather than $148 million and why BICE retained the difference of $77 million.

<u>Globe-X International Class C and D Shares</u>

100. Channel F.S. Fund Ltd. owned Class C and D shares in Globe-X International which were carried at a value of $1,825,743 and $1,688,928 respectively, as of September 30, 2002.

101. The Working Papers disclose no audit evidence to support the carrying value of this investment.

102. The only evidence of ownership that appears in the Working Papers are share certificates of Globe-X International signed by Stephen Hancock, as director of Globe-X International. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

103. There is no evidence in the Working Papers that Defendants ever asked for or received valuations of the Globe-X International shares held by Channel F.S. Fund.

D) ASSETS WRITTEN OFF DUE TO INVALID TITLE

104. There is no disclosure in the Working Papers that Defendants performed audit procedures to verify the ownership of material investments carried as assets of the Channel Funds, including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max. Although these investments had the effect of inflating the assets of the Channel Funds for the fiscal year 2002, they were all written off in the fiscal year 2003, due to an alleged dispute regarding the ownership thereof.

105. There is no evidence in the Working Papers that Defendants ever obtained sufficient appropriate audit evidence of the ownership of these investments prior to issuing the audit report for the September 30, 2002 audit.These assets were written-off during the following year because of an alleged dispute as to ownership.

106. Defendants should not have released the audit report for the fiscal year 2002 without obtaining sufficient appropriate audit evidence as to ownership of the investments of the Channel Funds. The resulting write-offs in the fiscal year 2003 should have been recognized as a red flag that additional audit procedures ought to have been performed.

107. There is no disclosure in the Working Papers that Defendants obtained any evidence of the alleged dispute. Defendants did not require that restated financial statements for the fiscal year 2002 be issued, and there is no disclosure in the Working Papers that they performed additional verifications as to ownership of investments for the fiscal year 2003 audit.

108. Defendants should have approached the audit of the Channel Funds for the fiscal year ended September 30, 2003 with a heightened degree of skepticism, since management failed to provide audit evidence of the assets which it represented was owned by the Channel Funds.

<u>Investsafe Limited</u>

109. The investment of Channel F.S. Fund Ltd. in Investsafe Limited was carried at $13,468,013 as at September 30, 2002.

110. For the fiscal year 2002 audit, the only documents appearing in the Working Papers to support the ownership and value of the Investsafe Limited investment were the following:

(a) UK Companies House 2002 Annual Return of Investsafe Limited, dated December 31, 2002 and signed by Stephen Hancock, as sole Director of Investsafe Limited. This document was received by Defendants on February 14, 2003, after the date of the auditor's report.

(b) an executive summary of a draft, preliminary valuation from MRIC.

111. There is no disclosure in the Working Papers that Defendants performed sufficient appropriate audit procedures to verify the carrying value of Investsafe Limited. They apparently accepted the MRIC valuation without performing any further audit procedures.

Harfang Investments Inc.

112. On March 31, 2002, Channel Fixed Income Fund Ltd. allegedly transferred assets having a value of $94,301,162 to Harfang Investments Inc. ("**Harfang**") in exchange for Harfang's alleged $19,298,000 interest in First Horizon Bank, Barbados Inc. and a $66.9 million equity position in Harfang.

113. The Working Papers do not disclose that Defendants performed sufficient appropriate audit procedures to audit the carrying value of the assets transferred out of Channel Fixed Income Fund Ltd. or to verify that the parties involved in this transaction were not related. The Working Papers disclose no information as to the identity of the officers, directors or beneficial shareholders of Harfang.

114. Despite the lack of documentation in the Working Papers to support the ownership and value of the investment in Harfang, Defendants completed the audit for the fiscal year 2002 and released the audit opinion.

115. The Channel Funds' investment in Harfang was carried at $66,903,817 as at September 30, 2002.

116. Defendants Working Papers disclose insufficient audit evidence to support either the ownership or the carrying value of this investment.

Mosaic Composite Ltd.

117. The Channel F.S. Fund Ltd.'s investment in Mosaic Composite Ltd. was carried at a value of $4,593,537 as at September 30, 2002.

118. The Working Papers disclose no supporting documentation as to the ownership and carrying value of this investment.

C-Max

119. The carrying value of the Channel Funds' investment in C-Max was recorded as being $80,000 as at September 30, 2002. There is disclosure in the Working Papers that Defendants ever performed audit procedures or requested any supporting documentation regarding the value or ownership thereof.

E) OTHER ASSETS

Mount Real Innovation Center Ltd.

120. The investment of Channel Diversified Private Equity Fund Ltd. in MRIC was carried at a value of $8,782,650 as at September 30, 2002.

121. There is no audit evidence in the Working Papers to support either the ownership or the carrying value of this investment.

122. For the purpose of valuing the MRIC investment, Defendants relied upon an unsigned, draft valuation prepared by the investee company itself (MRIC), provided by management for the year ended September 30, 2002, as well as unaudited financial statements of MRIC for the year ended December 31, 2001.

Niocan Inc.

123. The investment of Channel Diversified Private Equity Fund Ltd. in Niocan Inc. was carried at a value of $1,540,000 as at September 30, 2003.

124. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

BDP Retirement Homes Inc.

125. The Channel Funds' investment in BDP Retirement Homes Inc. was carried at a value of $1,000,000 as at September 30, 2003.

126. Defendants obtained the Deed of Assignment between Globe X Management Holdings Limited (Assignor) and Channel Fixed Income Fund Limited (Assignee) dated September 30, 2003 with respect to 1,000 Common Shares in BDP Retirement Homes Inc. The assignment was made in consideration of $1. The Working Papers disclose no audit evidence of the carrying value of $1,000,000.

AMT International Mining Corp.

127. The Channel Funds' investment in AMT International Mining Corp. ("**AMT**") was carried at a value of $1,000,000 as at September 30, 2003.

128. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

Oceanwide.com Inc.

129. The investment of Channel Technology Fund Ltd. in Oceanwide.com Inc. ("**Oceanwide**") was recorded at a carrying value of $14,735,155 as at September 30, 2002 and 2003.

130. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

131. Defendants obtained a schedule of the shareholding of Oceanwide as of April 30, 2002, which indicates that neither Channel Technology Fund Ltd. nor Channel Fixed Income Fund Ltd. are shareholders of Oceanwide.

132. For the purpose of valuing the Oceanwide shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

133. These valuations have not been prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

Lonald Holdings N.V. (PRB S.A.)

134. The investment of Channel Diversified Private Equity Fund Ltd. in Lonald Holdings N.V. (PRB S.A.) ("**Lonald Holdings**") was recorded at a carrying value of $3,220,990 as at September 30, 2002 and 2003.

135. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

136. Although materiality for investments of Channel Diversified Private Equity Fund Ltd. was $500,000 in 2002 and undocumented in 2003, Defendants indicated that the $3.2

million investment in Lonald Holdings, representing 33% of its total assets, was not material and the Working Papers disclose no further work in that regard. This investment was material.

137. During the fiscal year 2003 audit, Defendants were aware that the investee Lonald Holdings was undergoing financial difficulty and stated in their working papers that, "*if impaired at 50%, then asset risk is overvaluation of approximately $1.5M*". They nevertheless maintained that such amount was not material and decided not to require a write-down with respect to this investment.

V. RELIANCE ON THE CHANNEL FUND FINANCIAL STATEMENTS

138. Defendants were aware that the Norshield Group of Companies and the auditors thereof were relying on their audits of the Channel Funds. In particular, the value of the assets of the Channel Funds was utilized in establishing the net asset values of the shares of the companies making up the Norshield Group of Companies.

139. On or about February 26, 2003, Defendants provided Grant Thornton, the auditors of Mosaic, with a letter of comfort regarding the audits of the Channel Funds, indicating:

> *"We understand that you intend to rely on these audited financial statements in your audit of Mosaic Composite Limited, and we are not aware of any reason you should not do so."*

140. Defendants further provided the auditors of Mosaic with an audit summary memorandum regarding the audits of each of the Channel Funds.

VI. SPECIFIC DEROGATIONS FROM ISA

Terms of Audit Engagements (ISA 210)

141. The Working Papers do not contain an engagement letter for each of the Channel Funds as required by ISA 210.2. Instead, Defendants prepared one engagement letter for the group, for the fiscal year ended September 30, 2002, the whole as appears from a copy of the engagement letter, communicated herewith as **Exhibit P-3**.

142. The engagement letter, Exhibit P-3, does not state that the audit will be conducted in accordance with International Standards on Auditing.

143. The Working Papers contain no engagement letter with respect to the fiscal 2003 audits of the Channel Funds.

Quality Control for Audit Work (ISA 220)

144. The Working Papers of Defendants reveal no implementation of quality control policies or procedures, either generally or in the specific context of the audit of the Channel Funds.

145. There is no indication in the Working Papers that Defendants Marini and Ragonese arranged for any other partner of Defendant Brooks, Di Santo to review the final audited financial statements.

Documentation (ISA 230)

146. Throughout the Working Papers of Defendants, there is a lack of documentation regarding the audit evidence which ought to have been obtained by Defendants.

147. The Working Papers of Defendants are not sufficiently complete and detailed to comply with the documentation standards of the profession and ISA.

148. The Working Papers of Defendants do not include:

(a) information concerning the legal and organizational structure of the Channel Funds;

(b) evidence of the planning process, including audit programs and any changes thereto;

(c) evidence of Defendants' understanding of the accounting and internal control systems;

(d) evidence of the inherent and control risk assessment and any revisions thereof;

(e) analyses of transactions and balances;

(f) analyses of significant ratios and trends;

(g) a record of the nature, timing and extent of audit procedures performed and the results of such procedures;

(h) an indication as to who performed the audit procedures and when they were performed;

(i) conclusions reached by the auditor concerning significant aspects of the audit, including how exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.

Responsibility to Consider Fraud and Error (ISA 240)

149. The Working Papers of Defendants disclose no indication that the risk of fraud or error was considered by Defendants.

150. In this regard, the Working Papers disclose no indication of Defendants' inquiries of management as to:

(a) management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;

(b) the accounting and internal control systems management has put in place to address such risk;

(c) management's understanding regarding the accounting and internal control systems in place to prevent and detect error;

(d) management's awareness of any known fraud that has affected the entity or suspected fraud that the entity is investigating; and

(e) management's discovery of any material errors.

151. There is no disclosure in the Working Papers that Defendants assessed inherent or control risks in the course of their audits of the Channel Funds.

152. The Working Papers of Defendants contain no summary of unadjusted misstatements.

Consideration of Law and Regulations (ISA 250)

153. Although Defendants were required to possess an understanding of the applicable legal and regulatory framework within which the Channel Funds operated, their Working Papers contain no documentation as to:

(a) the Bahamian legal and regulatory framework applicable to the Channel Funds and their compliance with such framework;

(b) any discussion with management regarding laws and regulations, the controls in place to ensure compliance and their knowledge of irregularities; or

(c) any audit work performed to ensure that the Channel Funds complied with applicable laws and regulations.

Communication of Audit Matters with those Charged with Governance (ISA 260)

154. Although required by ISA, the Working Papers of Defendants disclose no indication:

(a) of the identity of the persons charged with governance and with whom audit matters of governance are communicated;

(b) that Defendants considered and communicated audit matters of governance interest with those charged with governance of the Channel Funds;

(c) that Defendants communicated audit matters of governance interest on a timely basis or at all.

Planning (ISA 300)

155. The Working Papers contain no audit plan describing the expected scope and conduct of the audit.

156. The Working Papers contain no audit programs, which would set out the nature, timing and extent of planned audit procedures required to implement the overall audit plan.

Audit Materiality (ISA 320)

157. The basis used to calculate materiality is not documented in the Working Papers of Defendants.

Risk Assessment and Internal Control (ISA 400)

158. Contrary to ISA, the Working Papers of Defendants contain no documentation as to their understanding of the Channel Funds':

(a) accounting systems;

(b) internal control systems;

(c) control environment; or

(d) control procedures.

159. There is no indication in the Working Papers of Defendants that they assessed inherent risk with respect to the financial statements and account balances.

160. Similarly, there is no indication that Defendants assessed control risk with respect to assertions, each material account balance, or class of transactions.

<u>Audit Evidence (ISA 500)</u>

161. The purpose of an audit is to verify the representations and estimates of management with professional skepticism and not simply to accept such representations and estimates without the corroboration of sufficient appropriate audit evidence.

162. The Working Papers do not contain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base Defendant Brooks, Di Santo's audit opinions.

163. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, there is no indication in the Working Papers that Defendants ever asked to see the files of, or to talk to, any previous firm of external accountants of the Channel Funds.

164. The summary review memoranda signed by Defendants Marini and Ragonese indicate that their 2002 audit procedures included:

> *"a review of the latest audited accounts, latest interim results, review of business plans and three year forecasts, as well as ensuring that the beneficial ownership of the equity interests in question were documented as belonging to the Fund. The cost of the investments was agreed to appropriate audit evidence, and the test of fair value was made by comparing the cost to detailed business valuations provided by Channel Analytics. These valuations used standard discounted cash flow modeling to establish a range of value. We tested the assumptions used in these models and determined that they were reasonable and plausible in the circumstances. Forecasted revenues were well supported in both cases with detailed plans and/or actual growth patterns experienced."*

165. The Working Papers of Defendants for that year provide no evidence that such procedures were actually performed and do not contain many of the documents referenced, such as the latest audited financial statements, latest interim results, business plans and documents evidencing the cost of investments.

166. Furthermore, the assumptions underlying the valuations were not reasonable and plausible and the forecasted revenues were not supported with detailed business plans.

167. The summary review memoranda further indicate that "*[t]hese companies have been in business for several years and have sophisticated management teams, corporate governance and financial reporting processes in place.*"

168. The Working Papers of Defendants disclose no evidence as to the history of the companies or the sophistication of their management teams, corporate governance and financial reporting processes.

169. Despite the lack of sufficient appropriate audit evidence in the Working Papers for any of its audits of the Channel Fund Financial Statements, all of Defendant Brooks, Di Santo's audit opinions were unqualified.

Audit Evidence – Additional Consideration to Specific Items (ISA 501)

170. The Working Papers disclose no indication that Defendants carried out procedures in order to become aware of any litigation and claims involving the Channel Funds, in that:

    (a) they contain no documentation regarding litigation and claims; and

    (b) they do not refer to any confirmation requests sent to lawyers.

171. The Working Papers of Defendants do not disclose sufficient appropriate audit evidence regarding the evaluation and ownership of long-term investments that were material to the Channel Fund Financial Statements.

External Confirmations (ISA 505)

172. The external confirmations received by Defendants to support assertions in the Channel Fund Financial Statements were from related parties, including Stephen Hancock, the owner of Cardinal International Corporation Ltd. ("**Cardinal**") and a director of the Channel Funds.

173. Such confirmations did not constitute appropriate audit evidence.

174. The Working Papers of Defendants contain no evidence that they maintained control over the confirmation process.

Initial Engagements – Opening Balances (ISA 510)

175. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, the Working Papers disclose no audit procedures on the opening balances of the Channel Fund Financial Statements for that fiscal year. They do not disclose sufficient appropriate audit evidence that the opening balances did not contain misstatements that materially affected the financial statements.

176. Despite the lack of sufficient appropriate audit evidence in the Working Papers concerning the opening balances, Defendant Brooks, Di Santo issued unqualified audit opinions regarding the Channel Fund Financial Statements.

Analytical Procedures (ISA 520)

177. The Working Papers of Defendants reveal no indication that analytical procedures were performed at the planning and overall review stages and at the end of the audits.

Audit of Accounting Estimates (ISA 540)

178. The most important assets of the Channel Funds are the Portfolio Assets represented by accounting estimates.

179. The fair market value of those investments was derived from assumptions of the prospective financial results of the investee companies and the estimated risk of attaining such future results.

180. The Working Papers do not disclose sufficient appropriate audit evidence regarding:

(a) the fair market values of the Portfolio Assets;

(b) the assumptions underlying the business valuations of the Portfolio Assets.

181. The Working Papers contain no documentation as to:

(a) the process used by management to develop the estimate of fair market value;

(b) whether the data on which the fair market values were based is accurate, complete and relevant;

(c) whether the data was properly analyzed and projected to form a reasonable basis for determining the reasonableness of the estimate.

182. The Working Papers reveal that Defendants failed to perform the following steps to review and test the process used by management:

(a) evaluating the data and considering the assumptions on which the estimate was based;

(b) testing the calculation involved in the estimate;

(c) comparing estimates made for prior periods with the results of those periods;

(d) using an independent estimate to be used for comparison purposes;

(e) considering management's approval procedures.

183. Accordingly, Defendants' evaluation of the underlying assumptions was erroneous, superficial and insufficient.

184. There is no indication in the Working Papers of Defendants that they used the work of an expert appraiser or certified business valuator.

185. The Working Papers disclose no evidence that Defendants performed a subsequent event review to confirm the projections used to estimate the fair market value of the Portfolio Assets.

186. Although Defendants were made aware of the financial difficulties of investees Lonald Holdings and Oceanwide, no adjustments were requested to be made to their fair market value by Defendants.

Related Parties (ISA 550)

187. The Working Papers of Defendants do not contain:

(a) a list of related parties, including Mosaic, Cardinal and BICE;

(b) any audit procedures to ensure that related parties were disclosed to Defendants;

(c) any indication that Defendants received information regarding related parties from management or any review by Defendants of such information;

(d) any indication that Defendants were satisfied that the disclosure of related party relationships was adequate under IAS.

188. There is no indication in the Working Papers that Defendants performed a review of the shareholder records of Channel Fixed Income Fund Ltd. or performed procedures to ensure the completeness of related party information.

189. The acquisition of the Portfolio Assets involved substantially all related-party transactions that were not properly recorded or disclosed. The Working Papers do not contain sufficient appropriate audit evidence with respect to such acquisitions.

190. There is no disclosure in the Working Papers that Defendants considered the adequacy of control procedures on the authorization and recording of related party transactions.

Subsequent Events (ISA 560)

191. The Working Papers do not disclose that Defendants performed procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the report that may require adjustments or disclosure were identified.

Going Concern (ISA 570)

192. There is no evidence in the Working Papers of Defendants that they ever considered the appropriateness of management's use of the going concern assumption in the preparation of the Channel Fund Financial Statements, in the planning and performance of audit procedures, or in evaluating the results therof.

193. In their 2003 audit of Channel Fixed Income Fund Ltd., Defendants apparently deemed it appropriate not to require a going concern note, or otherwise address the capacity of the corporation to pay two debentures totaling $97,800,000, which were presented as long-term liabilities but which had a short term maturity date of January 8, 2004.

Management Representations (ISA 580)

194. Representation letters for the fiscal year ended September 30, 2002 refer to "generally accepted accounting principles", whereas they should have referred to "International Accounting Standards".

195. Representation letters for the fiscal year ended September 30, 2003 are not tailored to the business of the Channel Funds, in that they refer to "provisions for future removal and site restoration costs".

196. Although the valuation and measurement of investments were the most important assertions of the audit of the Channel Fund Financial Statements, they are not included in the representation letters.

197. Defendants did not use the ISA form of representation letter.

198. There is no evidence in the Working Papers that Defendants obtained a signed copy of the final Channel Fund Financial Statements, which should have been signed by two directors.

Using the Work of an Expert (ISA 620)

199. The Working Papers of Defendants contain no documentation as to:

(a) the audit evidence obtained to evaluate the work performed by MRIC, Mount Real and Spectrum (the "**Valuators**");

(b) the expertise and competence of the Valuators;

(c) the good standing of the Valuators with their professional regulatory body;

(d) the experience, reputation and independence of the Valuators;

(e) any review of the terms of engagement of the Valuators;

(f) any review of the source data used by the Valuators;

(g) any review of the assumptions, methods and consistency utilized by the Valuators;

(h) any review of the fair market values obtained by the Valuators in light of Defendants' overall knowledge of the business of the Channel Funds and of the results of other audit procedures.

<u>Defendant Brooks, Di Santo's Report on Financial Statements (ISA 700)</u>

200. Defendant Brooks, Di Santo's audits of the Channel Fund Financial Statements were not conducted in accordance with ISAs.

201. The audits were not planned and performed to obtain reasonable assurance as to whether the Channel Fund Financial Statements were materially misstated. To the contrary, the Working Papers reveal that insufficient audit evidence was obtained by Defendants and the Channel Fund Financial Statements were materially misstated.

202. There is no indication in the Working Papers that Defendants:

(a) examined evidence to support the financial statements and disclosures;

(b) assessed the accounting principles used in the preparation of the financial statements;

(c) assessed the significant estimates made by management concerning the fair market value of the investments;

(d) evaluated the overall financial statement presentation.

203. The audits performed by Defendants do not provide a reasonable basis for the audit opinions of Defendant Brooks, Di Santo.

204. The Channel Fund Financial Statements were not prepared in accordance with IAS and do not present fairly the financial position of the Channel Funds.

205. Had Defendants complied with ISA and IAS in connection with their audits of the Channel Fund Financial Statements, Defendant Brooks, Di Santo would not have issued unqualified audit reports in connection therewith.

VII. DAMAGES

206. Defendants were aware, or ought to have been aware, that the financial statements of the Channel Funds were being used and relied upon by the auditors of Mosaic, OUL, OUBT and OUFC, as well as by retail investors in Canada for the purpose of determining the carrying value of investments and the net asset value of investment units.

207. The failure to accurately reflect the significant impairment of the carrying value of investments and accounts receivable on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 resulted in artificially inflated asset values for the entire Norshield Group of Companies.

208. The artificially inflated asset values had the effect of enabling the Norshield Group of Companies to continue its business operations including, in particular, the solicitation of investments from new and existing clients.

209. Had Defendants respected the relevant IASs and ISAs, the impairment of the carrying value of investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. It would have been apparent from such financial statements that these companies were insolvent and that the investments held by Mosaic, OUL, OUBT and OUFC were significantly impaired.

210. A substantial decrease in the reported net asset values of the Norshield Group of Companies would have resulted in substantially increased redemption requests on the part of investors and a complete cessation of additional subscriptions from existing and new investors, such that the continuing operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

211. All Defendants had a duty of care to the entities in the Norshield Group of Companies and to Plaintiffs and they negligently breached that duty.

212. All Defendants caused damages to Plaintiffs as a direct result of their fault, negligence, imprudence and want of care in the preparation of the audited financial statements of the Channel Funds.

213. As a direct and immediate result of the Defendants' faults, omissions and failure to conduct the audits for the fiscal years ended September 30, 2002 and September 30, 2003 in accordance with ISAs, Plaintiffs have suffered damages of at least CAD$5,000,000.

214. Defendants failed to perform the audit work in accordance with prevailing professional standards and such failure was the direct and immediate cause of damages suffered by Plaintiffs.

215. The present Motion is well founded both in fact and in law.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

[1] **SHORTEN** the delay, if necessary, for service of the present Motion;

[2] **GRANT** the present Motion;

[3] **ORDER** Defendants Brooks, Di Santo, Peter Marini and Fred Ragonese solidarily to pay the sum of $5,000,000, plus interest at the legal rate together with the additional indemnity provided by law, to:

(a) Plaintiff RSM Richter Inc., in its capacity as Receiver of all of the assets, undertakings and properties of: Olympus United Funds Corporation and Olympus United Funds Holdings Corporation; and

(b) Plaintiffs Raymond Massi and George Clifford Culmer, in their capacity as Joint Official Liquidators of Mosaic Composite Limited (U.S.), Inc.;

[4] **THE WHOLE** with costs, including the costs of expert evidence.

Montreal, ●, 2009

FISHMAN FLANZ MELAND PAQUIN LLP
Attorneys for Plaintiffs
RSM Richter Inc. as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

NOTICE OF PRESENTATION

TAKE NOTICE that the annexed Motion to Institute Proceedings will be presented for adjudication before one of the Honourable Judges for the Superior Court (Commercial Division) for the District of Montreal, in Room 16.10, at the Court House of Montreal, 1 Notre-Dame Street East, Montreal, Province of Quebec, on October ● at 9:00 a.m. or so soon thereafter as Counsel may be heard and do govern yourselves accordingly.

Montreal, ●, 2009

FISHMAN FLANZ MELAND PAQUIN LLP
Attorneys for Plaintiffs
RSM Richter Inc., as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

LIST OF EXHIBITS

Exhibit P-1	Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2002;
Exhibit P-2	Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2003;
Exhibit P-3	Engagement letter for the fiscal year ended September 30, 2002

ONTARIO SECURITIES COMMISSION
Applicant(s)

and

GESTION DE PLACEMENTS NORSHIELD (CANADA) LTÉE/NORSHIELD ASSET MANAGEMENT (CANADA) LTD.
Respondent(s)

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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Lawyers for the RSM Richter Inc., in its capacity as Receiver of the Norshield Group.

SCHEDULE “F”

Court File No. 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

THE HONOURABLE MR.	)	TUESDAY, THE 9th
	)	
JUSTICE C.L. CAMPBELL	)	DAY OF FEBRUARY, 2010

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

ORDER

THIS MOTION, made by RSM Richter Inc. in its capacity as receiver (the "Receiver"), without security, of all of the assets, undertakings and properties of 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., Norshield Capital Management Corporation/Corporation Gestion de l'Actif Norshield and Honeybee Software Technologies Inc./Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation/Corporation d'investissement Norshield) (collectively, the "Norshield Companies", which term for greater certainty includes any of them) was heard on February 9, 2010 at 330 University Avenue, Toronto, Ontario, without notice to any party except Brooks Di Santo, Peter Marini and Fred Ragonese (the "Brooks Di Santo Parties").

ON BEING ADVISED by Receiver's counsel that new counsel elected by the Receiver for the prosecution of the Brooks Di Santo Action recommends the addition of 6 paragraphs to the Motion to Institute Proceedings approved by this Court's Order of January 13, 2010, and on reading the letter of ThorntonGroutFinnigan LLP dated February 7, 2010 to Fasken Martineau LLP, and on hearing the submissions of counsel to the Receiver and counsel for the Brooks Di Santo Parties who do not oppose the relief sought:

1. **THIS COURT ORDERS** that this Court's Order dated January 13, 2010 (the "January 13 Order") shall be amended by the substitution of the Motion to Institute Proceedings in the form attached as Schedule "A" (the "Claim") for the version of the Claim which is attached as Schedule "A" to the January 13 Order. This order is without prejudice to any and all defences the Brooks di Santo Parties may have to the Claim and any motions they may be advised to bring in respect of the Claim.

2. **THIS COURT ORDERS** that the balance of the terms of the January 13 Order shall remain unchanged.

ChCampeau J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 0 9 2010

PER / PAR: JSV

Joanne Nicoara
Registrar, Superior Court of Justice

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
N°:

SUPERIOR COURT
(Commercial Division)

RSM RICHTER INC., a legal person having its principal place of business at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in its capacity as Receiver** of all of the assets, undertakings and properties of Olympus United Funds Corporation and Olympus United Funds Holdings Corporation

-and-

RAYMOND MASSI, Chartered Accountant and Chartered Insolvency Practitioner Professional, residing and domiciled at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

GEORGE CLIFFORD CULMER, Chartered Accountant, with the accounting firm BDO Mann Judd, residing and domiciled at 3rd Floor, Ansbacher Building, P.O. Box N-10144, Nassau, The Bahamas, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

Plaintiffs

v.

BROOKS, DI SANTO, an undeclared partnership of Peter Marini and Fred Ragonese, having its principal place of business at 6455 Jean-Talon East, Suite 700, Montréal, Quebec H1S 3E8

-and-

PETER MARINI, Chartered Accountant, residing and domiciled at 8580 Les Prévoyants Road, Montréal, Québec, H1P 2T1

-and-

FRED RAGONESE, Chartered Accountant, residing and domiciled at 1514 Lemaistre Road, Montréal, Québec, H2M 2C1

Defendants

MOTION TO INSTITUTE PROCEEDINGS

TO A JUDGE OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION FOR THE JUDICIAL DISTRICT OF MONTREAL, PLAINTIFFS STATE AS FOLLOWS:

I. BACKGROUND

1. Plaintiffs were appointed by the Ontario Superior Court of Justice (Commercial List) on June 29, 2005 and by the Supreme Court of the Commonwealth of The Bahamas on January 20, 2006 to, *inter alia*, ascertain and preserve the assets of certain companies in the Norshield Group of Companies, described more fully below.

2. The operations of the Norshield Group of Companies were substantially suspended in 2005.

3. Several entities in the Norshield Group of Companies directly or indirectly held substantial investments in Channel Fixed Income Fund Ltd., Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. (collectively the "**Channel Funds**") and relied upon the audited financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 (the "**Channel Fund Financial Statements**") in making or maintaining investments therein.

4. Defendant Brooks, Di Santo was engaged to audit the Channel Fund Financial Statements.

5. Defendant Brooks, Di Santo was at all relevant times, an unregistered firm of chartered accountants, in which Defendants Peter Marini ("**Marini**") and Fred Ragonese ("**Ragonese**") were partners.

6. All of the audit work performed by Defendant Brooks, Di Santo in connection with the audits of the Channel Fund Financial Statements was performed by Defendants Marini and Ragonese.

7. Without limiting the generality of the foregoing, for each of the fiscal years ended September 30, 2002 and September 30, 2003, Defendant Brooks, Di Santo was engaged to conduct an audit of the financial statements of the Channel Funds, and to express an opinion as to whether those financial statements present fairly, in all material respects, the financial position of the Channel Funds and the results of their operations.

8. Defendant Brooks, Di Santo issued unqualified audit reports in relation thereto.

9. In fact, the carrying value of the investments and accounts receivable on the Channel Fund Financial Statements for the fiscal years ended September 30, 2002 and September 30, 2003 were significantly impaired, to the extent of more than $300 million.

10. Had it not been for the negligence of Defendants, the impairment of the carrying value of the investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. The operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

11. Instead, the misleading financial information arising from Defendants' negligence resulted in an increase in losses suffered by the entities being liquidated by Plaintiffs and a decrease in assets from which to recover their investments, from February 2003 onward.

A) THE NORSHIELD GROUP OF COMPANIES

12. The Norshield Group of Companies consists of a complex corporate structure of companies incorporated in Canada, Barbados, The Bahamas and the United States, including, *inter alia*:

(a) In Canada:

(i) Corporation de Fonds Unis Olympus / Olympus United Funds Corporation (formerly First Horizon Holdings Ltd.) ("**OUFC**");

(ii) Gestion de Placements Norshield (Canada) Ltée / Norshield Asset Management (Canada) Ltd. ("**NAM**");

(iii) Gestion des Partenaires d'Investissement Norshield Ltée / Norshield Investment Partners Holdings Ltd. (formerly Olympus United Holdings Inc.) ("**Norshield Partners**");

(iv) Groupe Olympus United Inc. / Olympus United Group Inc. ("**Olympus Group**");

(v) Honeybee Software Technologies Inc. / Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation ("NIC")/ Corporation d'Investissement Norshield) ("**Honeybee**");

(vi) Norshield Capital Management Corporation / Corporation Gestion de l'Actif Norshield ("**NCMC**");

(vii) Olympus United Funds Holdings Corporation;

(b) In Barbados, Olympus United Bank and Trust SCC ("**OUBT**");

(c) In The Bahamas:

(i) Mosaic Composite Limited, which appears to have since amalgamated with an American company to form Mosaic Composite Limited (U.S.), Inc. ("**Mosaic**") in the United States;

(ii) Olympus Univest Ltd. ("**OUL**");

(iii) Channel Funds;

(d) In the United States:

(i) Mosaic;

(ii) Norshield Investment Partners Inc.;

(collectively referred to as the "**Norshield Group of Companies**").

B) APPOINTMENT OF THE RECEIVER AND JOINT OFFICIAL LIQUIDATORS

13. Plaintiff RSM Richter Inc. (the "**Receiver**"), is the Receiver of all of the assets, undertakings and properties of NAM, Norshield Partners, Olympus United Funds Holdings Corporation, OUFC, OUBT, Olympus Group, NCMC and Honeybee (collectively referred to as the "**Canadian Receivership Companies**"), pursuant to:

(a) An initial order rendered on June 29, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) appointing Plaintiff RSM Richter Inc. as Receiver (the "**Initial Order**");

(b) A Judgment rendered on June 30, 2005 by the Honourable Mr. Justice Jean Guibault of this Honourable Court, confirming the appointment of the Receiver and giving effect to the Initial Order in the Province of Quebec;

(c) An order rendered on July 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List), continuing the appointment of the Receiver, pursuant to the Initial Order;

(d) Orders rendered on September 9, 2005 and October 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) extending the appointment of the Receiver to the assets, undertakings and properties of NCMC and NIC (now Honeybee) (the "**Additional Order**");

(e) A Judgment rendered on September 16, 2005 by the Honourable Mr. Justice Paul G. Chaput of this Honourable Court, confirming the appointment of the Receiver with respect to the Canadian Receivership Companies and giving effect to the Additional Order in the Province of Quebec.

14. The Receiver and Brian F. Griffith & Company, a Barbados accounting firm, were appointed Joint Custodians of OUBT by Order of the Barbados High Court of Justice dated September 22, 2005.

15. Plaintiffs Raymond Massi, a partner of the Receiver, and G. Clifford Culmer, a partner of BDO Mann Judd, an accounting firm operating in The Bahamas, were appointed:

(a) Joint Official Liquidators of OUL, by Order dated February 6, 2006 of the Supreme Court of the Commonwealth of The Bahamas;

(b) Joint Receivers of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 20, 2006;

(c) Joint Provisional Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated March 22, 2006; and

(d) Joint Official Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 23, 2007.

C) MANDATE OF BROOKS, DI SANTO

16. Defendants were engaged to examine the books and records, accounts, internal controls and procedures of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003.

17. Defendants audited the Channel Fund Financial Statements and issued unqualified audit reports thereon, the whole as appears more fully from the Channel Fund Financial Statements:

(a) for the fiscal year ended September 30, 2002, communicated herewith as **Exhibit P-1**;

(b) for the fiscal year ended September 30, 2003, communicated herewith as **Exhibit P-2**;

18. Defendants obtained only one engagement letter for the audit of the Channel Fund Financial Statements, for the fiscal year ended September 30, 2002, the whole as appears from the engagement letter dated December 16, 2002, communicated herewith as **Exhibit P-3.**

19. The audit work relating to the Channel Fund Financial Statements was performed in Montreal, notwithstanding that the Channel Funds were located in The Bahamas.

20. Defendants Marini and Ragonese, who are both partners in Defendant Brooks, Di Santo, were the only accountants that performed any work in connection with the audits of the Channel Funds for the fiscal years 2002 and 2003.

21. The auditor's reports issued by Defendant Brooks, Di Santo on the Channel Fund Financial Statements were unqualified, and represented that the financial statements were prepared in accordance with international accounting standards.

22. The Channel Fund Financial Statements grossly misstated the actual financial position of the Channel Funds and concealed the true picture.

23. In their audit of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, all Defendants failed:

(a) to exercise the degree of care required;

(b) to determine that the carrying value of investments and receivables was materially overstated;

(c) to determine that there was inadequate disclosure of related party transactions;

(d) to determine that revenue and profits were overstated;

(e) to determine that substantially all the assets were not owned by the Channel Funds; and

(f) to advise the Channel Funds of the inadequate supervision and internal controls over their investments.

24. The Channel Fund Financial Statements were misleading and negligently prepared, in that, ***inter alia***:

(a) the Channel Fund Financial Statements reflected inflated carrying values of all assets recorded therein, without recognition of any significant impairment, despite the fact that the carrying values of the investments and accounts receivable of the Channel Funds were significantly impaired to the extent of more than

$300,000,000 for the fiscal years ended September 30, 2002 and September 30, 2003;

(b) material assets reflected on the Channel Fund Financial Statements were not owned by the Channel Funds, in that:

(i) assets were subject to option agreements pursuant to which the options had never been exercised (including First Horizon Holdings Ltd., MicroSlate Inc., Vezina Composites Inc. and Olympus United Holdings Inc.); and

(ii) assets were the subject of alleged ownership disputes that culminated in the total write-off thereof (including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max);

(c) material assets were reflected on the Channel Funds Financial Statements without Defendants having reviewed evidence of the Channel Funds' ownership thereof (including Mount Real Innovation Center Ltd., Niocan Inc., BDP Retirement Homes Inc., AMT International Mining Corp., Oceanwide.com Inc. and Lonald Holdings N.V. (PRB S.A.));

(d) material receivables were reflected on the Channel Fund Financial Statements without any impairment, despite the doubtful collectibility of such receivables (including a receivable in the amount of $148,000,000 from BICE International Inc. ("**BICE**"));

(e) material assets were transferred to and from related parties without disclosure of such relationships on the Channel Fund Financial Statements (including Emerald Key Management Ltd. and investments in Globe-X International).

25. The failure to disclose the existence of related party transactions allowed Mosaic to hold investments in and to continue to transact business with the Channel Funds in an imprudent fashion, on terms that were not commercially reasonable and to the detriment of the entities of which Plaintiffs are liquidators.

26. Mosaic relied upon the Channel Fund Financial Statements for maintaining its investments in the Channel Funds, and other entities within the Norshield Group of Companies relied upon the audited financial statements of Mosaic for the same purposes.

D) FLOW OF FUNDS THROUGH THE NORSHIELD GROUP OF COMPANIES

27. Relying primarily on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, *inter alia*, Mosaic maintained material and substantial investments in the Channel Funds, OUL maintained material and

substantial investments in Mosaic, OUBT made and maintained material and substantial investments in OUL, and OUFC made and maintained material and substantial investments in OUBT.

28. All amounts herein are expressed in United States dollars, unless otherwise specified.

Investments by OUFC in OUBT

29. OUFC and Olympus Group raised funds from retail investors in Canada and used those funds to make substantial and material investments in OUBT, in different classes of shares.

30. OUFC held the following investments in OUBT:

	September 30, 2003 (CDN$)	September 30, 2002 (CDN$)
Investment in OUBT	$200,751,180	$145,415,980
Total assets of OUFC	$207,912,319	$173,353,459
Total investments as a percentage of total assets	96.6%	83.9%

31. The carrying value of the investments made by OUFC in OUBT was highly material to the financial statements of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 83.9% and 96.6% of tbe total assets of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUBT in OUL

32. OUBT invested substantial and material amounts of the retail investors' funds in the following investments in OUL:

	September 30, 2003	September 30, 2002
Investment in OUL – Class C	$ 98,577,774	$ 61,332,555
Investment in OUL – Class B	3,123,249	1,433,509
Investment in OUL – Class E	110,586	-
Total investments in OUL	$101,811,609	$ 62,766,064
Total assets of OUBT	$149,809,062	$109,137,763
Total investments as a percentage of total assets	68.0%	57.5%

33. The carrying value of the investments made by OUBT in OUL was highly material to the financial statements of OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 57.5% and 68% of the total assets of

OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUL in Mosaic

34. OUL raised funds directly from institutional investors and other direct investors, and invested virtually all of those funds, together with the funds invested by OUBT, in the following investments in Mosaic:

	September 30, 2003	September 30, 2002
Investment in Mosaic	$403,898,308	$223,054,225
Total assets of OUL	$448,041,613	$231,244,030
Total investment as a percentage of total assets	90.1%	96.5%

35. The carrying value of investments held by OUL in Mosaic was highly material to the financial statements of OUL for the fiscal years ended September 30, 2002 and 2003, as the investments represented 96.5% and 90.1% of the total assets of OUL for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Mosaic in Channel Fixed Income Fund Ltd.

36. Mosaic held investments in Channel Fixed Income Fund Ltd., which in turn held investments in Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd.

37. Mosaic held the following investments in Channel Fixed Income Fund Ltd.:

	September 30, 2003	September 30, 2002
Fixed income securities	$143,800,000	$143,800,000
Long-term investment	162,874,434	76,611,308
Total investments in Channel Fixed Income Fund Ltd.	$306,674,434	$220,411,308
Total assets of Mosaic (net of bank loan payable)	$470,328,186	$291,248,740
Total investments as a percentage of total assets	65.2%	75.7%

38. The carrying value of the investments held by Mosaic in Channel Fixed Income Fund Ltd. was highly material to the financial statements of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 75.7% and 65.2% of the total assets of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Channel Fixed Income Fund Ltd. in the Other Channel Funds

39. Channel Fixed Income Fund Ltd. had equity interests in the following entities:

	September 30, 2003	September 30, 2002
Channel F.S. Fund Ltd.	$194,127,076	$198,223,202
Channel Technology Fund Ltd.	29,683,112	63,848,578
Channel Diversified Private Equity Fund Ltd.	9,502,936	23,768,919
Total investments	$233,313,124	$285,840,699
Total assets of Channel Fixed Income Fund Ltd.	$324,262,583	$317,480,256
Total investments as a percentage of total assets	72.0%	90.0%

40. The carrying value of those investments was highly material to the Channel Fixed Income Fund Ltd. financial statements for the fiscal years ended September 30, 2002 and September 30, 2003, as they represented 90% and 72% of the total assets of Channel Fixed Income Fund Ltd. for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

II. THE CHANNEL FUND FINANCIAL STATEMENTS

41. The Channel Fund Financial Statements purported to have been prepared in accordance with International Accounting Standards ("IAS") and audited in accordance with International Standards on Auditing ("ISA").

42. The audited carrying values of the investments and accounts receivable of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 are summarized as follows:

	Audited Book Value as at September 30, 2002	Audited Book Value as at September 30, 2003
	('000)	
Channel F.S. Fund Ltd.		
C-Max	80	
Composite	4,593	
Emerald Key Advisors	8,000	8,000
Emerald Key Management Ltd.	40,178	
First Horizon Holdings Ltd.	59,100	92,250
Globe-X International Class C	1,826	
Globe-X International Class D	1,689	
Harfang Investment Inc.	66,904	
iForum Financial Network Inc.	576	

Investsafe Limited	13,468	
Olympus United Holdings Inc.	46,085	46,085
Channel Technology Fund Ltd,		
Microslate Inc.	30,338	19,438
Oceanwide.com Inc.	14,735	14,735
Channel Diversified Private Equity Fund Ltd.		
Mount Real Innovation Center Ltd.	8,783	
Lonald Holdings N.V. (PRB S.A.)	3,221	3,221
Vezina Composites Inc.	2,881	2,882
Niocan Inc.		1,540
BDP Retirement Homes Inc.		1,000
AMT International Mining Corp.		1,000
Other		
Managed Accounts		
Cash - Cardinal International	5,291	3,524
Owed by Composite	8,265	359
Accounts Receivable - BICE	-	148,000
Accounts Receivable - Others	1,467	1,467
Total Portfolio Assets	$317,480	$343,500

(collectively the "**Portfolio Assets**").

43. In fact, the Channel Fund Financial Statements were not prepared in accordance with IAS, were not audited in accordance with ISA, were materially misleading and did not present fairly the financial position of the Channel Funds, in that, *inter alia*:

(a) substantially all of the assets carried on the Channel Fund Financial Statements were not owned by the Channel Funds and should not have been included in said financial statements.

(b) the Channel Fund Financial Statements reflected inflated carrying values for substantially all the assets recorded therein, without recognition of any significant impairment.

(c) the carrying values of the Portfolio Assets were significantly impaired to the extent of more than $300 million and should have been reflected on the Channel Fund Financial Statements, which would have resulted in:

(i) the disclosure of the insolvency of the Channel Funds; and

(ii) a denial of opinion or adverse opinion being rendered by Defendants.

III. DEPARTURE FROM IAS

Investments (IAS 27 and 39)

44. The financial statements of Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. should have been consolidated with those of their parent, Channel Fixed Income Fund Ltd. The failure to consolidate such financial statements resulted in the overstatement of the assets of Channel Fixed Income Fund Ltd. by the amount of $84 million, being the amount of a dividend receivable from Channel F.S. Fund Ltd. which arose from an artificial transaction with BICE.

45. On the Channel Fund Financial Statements, all investments were allegedly accounted for at the "lower of cost and fair value". The investments should have been classified as held-for-trading and measured at fair value, with the changes in fair value (gains and losses) recognized in net earnings. The financial assets that were not quoted in the active market should have been recorded at cost. In the case of a permanent impairment in value, a write-down should have been recorded.

Related Party Disclosures (IAS 24)

46. In the case of transactions between related parties, the Channel Funds should have, but failed to, disclose the nature of the related party relationships as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.

Non-Monetary Transactions (IAS 16)

47. The majority of the Channel Funds' portfolio investments were acquired and sold by way of non-monetary transactions whereby investments were exchanged for shares of the Channel Funds. These transactions should have been recorded at the carrying amount, without reflecting any gain or loss.

Cash Flow Statement (IAS 7)

48. The cash flow statement should report cash flows during the period, classified by operating, investing and financing activities. In the cash flow statements of the Channel Funds for the fiscal years ended September 30, 2002 and 2003, virtually all of the transactions under the investing and financing sections were non-cash transactions, but were reflected as if they were cash transactions.

IV. AUDIT NEGLIGENCE OF DEFENDANTS – DEPARTURE FROM ISA

49. Defendants failed to comply with ISA in material respects in connection with the audits of the Channel Fund Financial Statements, as appears more fully below.

A) VALUATION OF ASSETS

50. The Working Papers of Defendants for the audits of the Channel Fund Financial Statements (the **"Working Papers"**) do not disclose either independent or expert third party valuations of the assets reflected on the Channel Fund Financial Statements.

51. Instead, Defendants relied upon reports prepared by non-expert, related parties in their audit of the carrying values of the assets carried on the Channel Fund Financial Statements. Management of the Channel Funds engaged Mount Real Innovation Center (**"MRIC"**), Mount Real Corporation (**"Mount Real"**) and Spectrum Financial Services (**"Spectrum"**) to provide support for their estimates of fair market value of the assets of the Channel Funds.

52. The Working Papers of Defendants do not disclose any audit work to determine the qualifications of those entities or of the employees thereof to perform valuations of investments.

53. Defendants relied upon the work of MRIC, Mount Real and Spectrum in performing the audits.

54. The Working Papers do not disclose any evidence of the relationship of MRIC and Mount Real to the Channel Funds. Had they made inquiries or otherwise performed appropriate audit procedures, they would have determined that MRIC itself was an investee company of the Channel Funds, as at September 30, 2002, and that MRIC's clients included other investee companies of the Channel Funds (i.e. Oceanwide.com Inc., MicroSlate Inc. and Vezina Composites Inc.).

55. Similarly, the Working Papers do not disclose that Defendants were aware that John Sykes, the alleged principal of Spectrum, was also on the board of directors of MicroSlate Inc.

B) ASSETS SUBJECT TO OPTION AGREEMENTS

56. Several investments recorded as assets on the Channel Fund Financial Statements were, in fact, not assets of the Channel Funds because they were subject to option agreements that had never been exercised.

57. Although the options were never exercised, these investments were carried on the Channel Fund Financial Statements at an aggregate value of US$138,405,515, as follows:

Subject Asset	First Option	Second Options	Increase in value	Date – First Option Date – Second Option
19.6 Common Shares of First Horizon Holdings Ltd.	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for an exercise price of: $2,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $59,100,370	$57,100,370	Both October 1, 2000
MicroSlate Inc. common shares	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for exercise prices of:	Optioned by Liberty Trust to the Channel Entities for an amount of:		
722 shares	$5,870,000	$12,720,000		Both October 1, 2000
713 shares	$5,800,000	$12,562,000		Both June 30, 2001
287 shares	$2,330,000	$5,056,423		Both June 30, 2002
Total 1,722 shares	$14,000,000	$30,338,423	$16,338,423	
148.5 Class A shares and 2,308,017 Class D shares of Vezina Composites Inc.	Optioned by Norshield Financial Holdings Ltd./Norshield Capital Management to Liberty Trust for an exercise price of: $1,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $2,881,946	$1,881,946	Both October 1, 2000
40 Class D shares of 3586839 Canada Inc. / Olympus United Holdings Inc.	Optioned by Norshield Financial Holdings Ltd. / John Xanthoudakis to Liberty Trust for an exercise price of: $10,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $46,084,776	$36,084,776	March 31, 2002 September 30, 2002
Total	$27,000,000	$138,405,515	$111,405,515	

58. Although the Working Papers do not disclose evidence of appropriate verification of the ownership and value of such investments, Defendants failed to cause the Channel Funds to not carry these as assets of the Channel Funds or to issue a qualified opinion, thus resulting in a significant overstatement of the assets of the Channel Funds.

First Horizon Holdings Ltd. (the predecessor of OUFC)

59. Shares in the capital of FHHL Holdings Limited (the predecessor of First Horizon Holdings Ltd., which is now OUFC) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of a premium of $100,000 per annum, Liberty Trust obtained an option to purchase 19.6 Class A common shares from Norshield Financial Holdings Ltd. for an exercise price of $2 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of $400,000, an option to purchase the 19.6 common shares for an amount of $59,100,370.

60. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised this option, in that the Working Papers dusclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

61. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

62. The Working Papers disclose no audit evidence to support the ownership of the investment in First Horizon Holdings Ltd. by the Channel Funds.

63. The investment was carried on the financial statements of the Channel Funds at a value of $59,100,370 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the First Horizon Holdings Ltd. shares ($59,100,370) was $57,100,370 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they apparently relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

64. The carrying value of the First Horizon Holdings Ltd. shares allegedly increased in 2003 by $33,849,000, from $59,100,370 to $92,949,370 as of September 30, 2003. The Working Papers disclose no audit evidence to support this increase in carrying value of the Channel Funds' investment in First Horizon Holdings Ltd.

65. For the purpose of valuing the First Horizon Holdings Ltd. shares, Defendants apparently relied upon documents provided by management, including:

(a) for the fiscal year ended September 30, 2002, an unsigned valuation prepared by Mount Real;

(b) for the fiscal year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

66. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

MicroSlate Inc.

67. MicroSlate Inc. shares were allegedly the subject of two sets of option agreements:

(a) Under the first set of option agreements, Liberty Trust obtained from Norshield Financial Holdings Ltd.:

(i) in exchange for the payment of an option premium of $168,000, an option to purchase 722 shares of MicroSlate Inc. for an exercise price of $5,870,000;

(ii) in exchange for the payment of an option premium of $166,000, an option to purchase 713 shares of MicroSlate Inc. for an exercise price of $5,800,000;

(iii) in exchange for the payment of an option premium of $66,000, an option to purchase 287 shares of MicroSlate Inc. for an exercise price of $2,330,000;

(b) Under the second set of option agreements, entitled "Cash Settled Equity Call Options", Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust:

(i) in exchange for the payment of an option premium of $84,000, an option to purchase 722 shares of MicroSlate Inc. for an amount of $12,720,000;

(ii) in exchange for the payment of an option premium of $83,000, an option to purchase 713 shares of MicroSlate Inc. for an amount of $12,562,000;

(iii) in exchange for the payment of an option premium of $33,000, an option to purchase 287 shares of MicroSlate Inc. for an amount of $5,056,423;

68. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised such options, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

69. In fact, these options were never exercised, the option premiums were never paid, and legal ownership of the shares was never transferred to the Channel Funds.

70. The Working Papers disclose no audit evidence to support the ownership of the investment in MicroSlate Inc. by the Channel Funds.

71. The investment was carried on the financial statements of the Channel Funds at a value of \$30,338,423 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the MicroSlate Inc. shares (\$30,338,423) was \$16,338,423 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first set of option agreements and the second set of option agreements, despite the fact that they relied upon the amounts stipulated in the second set of option agreements to support the carrying value of the investment in MicroSlate Inc. by the Channel Funds.

72. For the purpose of valuing the MicroSlate shares, Defendants relied upon valuations provided by management, including:

(a) For the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) For the year ended September 30, 2003, an unsigned valuation prepared by Spectrum, which purported to establish the total value of MicroSlate as being \$27,000,000, even though the company had filed for bankruptcy protection in Canada and United States. The Working Papers reveal that Defendants required the investment to be written down from \$34 million to \$19 million.

73. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

74. Defendants did not disclose the fact that George Ecker, a director of the Channel Funds, was also a director of MicroSlate.

<u>Vezina Composites Inc. (the predecessor of Composite VCI Inc.)</u>

75. Shares in the capital stock of Vezina Composites Inc. (the predecessor of Composite VCI Inc.) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of an option premium of \$50,000, Liberty Trust obtained an option to purchase 148.5 Class A shares and 2,308,017 Class D shares from Norshield Financial Holdings Ltd. for an exercise price of \$1 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of \$50,000, an option to purchase the 148.5 Class A shares and 2,308,017 Class D shares for an amount of \$2,881,946.

76. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

77. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

78. The investment was carried in the financial statements of the Channel Funds at a value of $2,881,946 for the fiscal years ended September 30, 2002 and 2003. The alleged cost to the Channel Funds of acquiring the Vezina Composites Inc. shares ($2,881,946) was $1,881,946 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

79. For the purpose of valuing the Vezina Composites Inc. shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

80. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners)

81. The shares of 3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners) were allegedly the subject of two option agreements:

(a) under the first option agreement, dated March 31, 2002, in exchange for the payment of an option premium of $250,000 by December 31, 2003 and $300,000 per annum thereafter, Liberty Trust obtained an option to purchase 40 Class D shares of 3586839 Canada Inc. from Norshield Financial Holdings Ltd. for an exercise price of $10 million;

(b) under the second option agreement, dated September 30, 2002, Channel Fixed Income Fund Ltd. obtained from Liberty Trust, in exchange for the payment of an option premium of $300,000, an option to purchase the 40 Class D shares of Olympus United Holdings Inc. for an amount of $46,084,776.

82. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

83. Defendants apparently continued to rely upon the option agreements, even after receiving a confirmation dated January 10, 2003 to the effect that John Xanthoudakis (rather than Norshield Financial Holdings Ltd.) was the sole shareholder of Olympus United Holdings Inc.

84. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

85. The investment was carried on the financial statements of Channel Fixed Income Fund Ltd. at a value of $46,084,778. The alleged cost to the Channel Funds of acquiring the Olympus United Holdings Inc. shares ($46,084,778) was $36,084,778 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

86. For the purpose of valuing the Olympus United Holdings Inc. shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned one-page schedule of a valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

87. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

C) **ASSETS SOLD TO RELATED PARTIES**

Emerald Key Management Ltd.

88. The investment of Channel F.S. Fund Ltd. in Emerald Key Management Ltd. ("**EKM**") was carried at $40,178,350 as at September 30, 2002.

89. The Working Papers contain insufficient audit evidence to support the ownership of the investment and no audit evidence to support the carrying value of this investment.

90. The only evidence of ownership appearing in the Working Papers is a share certificate of EKM dated September 30, 2002, which stated that Channel F.S. Fund held 4,750 shares. The said share certificate was signed by Stephen Hancock, as director of EKM. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

91. For the purpose of determining the value of EKM for the fiscal year ended September 30, 2002, Defendants relied upon an unsigned valuation prepared by MRIC with respect to Emerald Key Advisors, provided by management.

92. During the fiscal year ended September 30, 2003, Channel F.S. Fund Ltd. sold its investment in EKM to BICE for $148,000,000, along with Channel F.S. Fund Ltd.'s investments in Globe-X International which had a carrying value of $3,514,671 as at September 30, 2002. The $148,000,000 receivable was recorded as an asset on the audited financial statements of Channel F.S. Fund Ltd. This transaction resulted in an immediate gain of $104,306,979, even though no part of the amount of $148,000,000 was ever collected.

93. Although this receivable was highly material to the financial statements of Channel F.S. Fund Ltd., the Working Papers contain no indication that Defendants performed any audit procedures to establish its collectibility.

94. The first payment owing by BICE, in the amount of $1,900,000, was due on January 31, 2004, one day after the date of Defendant Brooks, Di Santo's audit report. The Working Papers contain no indication that Defendants performed any audit procedures to determine whether or not the payment had been made. Had they performed such standard subsequent event procedures, they would have determined that the payment had not been made, and would have had to disclose such non-payment as a subsequent event.

95. Had Defendants obtained a copy of the unaudited balance sheet of BICE during their audit, they would have determined that BICE had insufficient liquidity to pay $148,000,000 to Channel F.S. Fund Ltd. Instead, they received the balance sheet only after Defendant Brooks, Di Santo issued the September 30, 2003 audit report.

96. The Working Papers contain insufficient appropriate audit evidence as to the relationship of BICE with Channel F.S. Fund Ltd. They provide no indication that Defendants were aware of the identity of the officers, directors, shareholders or beneficial owners of BICE, and no indication that Defendants performed any audit procedures to attempt to determine same.

97. Defendants apparently accepted the sale of EKM as a sale to an arm's length third party, based on representations made by management and without evidence in the Working Papers of any further verification, when in fact:

(a) Appendix A to the sale agreement, a resolution of Channel F.S. Fund Ltd., was signed by Stephen Hancock as a director of Channel F.S. Fund Ltd.;

(b) Appendix B to the sale agreement, a resolution of BICE, was signed by Stephen Hancock as secretary of BICE;

(c) John Sykes, the alleged principal of Spectrum, was a director of BICE;

98. On July 29, 2003, the same day as its purchase of the EKM shares from Channel F.S. Fund Ltd., BICE sold to OUBT for $225 million EKM's rights to the management and incentive fee revenue stream of OUL. The value of EKM was allegedly dependant upon the assets under management of OUL.

99. There is no disclosure in the Working Papers that Defendants ever inquired as to:

(a) the creditworthiness or financial capacity of OUBT to pay the amount of $225 million, the non-payment of which would in turn have rendered BICE unable to repay its indebtedness of $148 million to the Channel F.S. Fund Ltd.;

(b) why the sale did not take place directly between Channel F.S. Fund Ltd. and OUBT;

(c) why OUBT acquired EKM for $225 million rather than $148 million and why BICE retained the difference of $77 million.

<u>Globe-X International Class C and D Shares</u>

100. Channel F.S. Fund Ltd. owned Class C and D shares in Globe-X International which were carried at a value of $1,825,743 and $1,688,928 respectively, as of September 30, 2002.

101. The Working Papers disclose no audit evidence to support the carrying value of this investment.

102. The only evidence of ownership that appears in the Working Papers are share certificates of Globe-X International signed by Stephen Hancock, as director of Globe-X International. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

103. There is no evidence in the Working Papers that Defendants ever asked for or received valuations of the Globe-X International shares held by Channel F.S. Fund.

D) ASSETS WRITTEN OFF DUE TO INVALID TITLE

104. There is no disclosure in the Working Papers that Defendants performed audit procedures to verify the ownership of material investments carried as assets of the Channel Funds, including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max. Although these investments had the effect of inflating the assets of the Channel Funds for the fiscal year 2002, they were all written off in the fiscal year 2003, due to an alleged dispute regarding the ownership thereof.

105. There is no evidence in the Working Papers that Defendants ever obtained sufficient appropriate audit evidence of the ownership of these investments prior to issuing the audit report for the September 30, 2002 audit.These assets were written-off during the following year because of an alleged dispute as to ownership.

106. Defendants should not have released the audit report for the fiscal year 2002 without obtaining sufficient appropriate audit evidence as to ownership of the investments of the Channel Funds. The resulting write-offs in the fiscal year 2003 should have been recognized as a red flag that additional audit procedures ought to have been performed.

107. There is no disclosure in the Working Papers that Defendants obtained any evidence of the alleged dispute. Defendants did not require that restated financial statements for the fiscal year 2002 be issued, and there is no disclosure in the Working Papers that they performed additional verifications as to ownership of investments for the fiscal year 2003 audit.

108. Defendants should have approached the audit of the Channel Funds for the fiscal year ended September 30, 2003 with a heightened degree of skepticism, since management failed to provide audit evidence of the assets which it represented was owned by the Channel Funds.

<u>Investsafe Limited</u>

109. The investment of Channel F.S. Fund Ltd. in Investsafe Limited was carried at $13,468,013 as at September 30, 2002.

110. For the fiscal year 2002 audit, the only documents appearing in the Working Papers to support the ownership and value of the Investsafe Limited investment were the following:

(a) UK Companies House 2002 Annual Return of Investsafe Limited, dated December 31, 2002 and signed by Stephen Hancock, as sole Director of Investsafe Limited. This document was received by Defendants on February 14, 2003, after the date of the auditor's report.

(b) an executive summary of a draft, preliminary valuation from MRIC.

111. There is no disclosure in the Working Papers that Defendants performed sufficient appropriate audit procedures to verify the carrying value of Investsafe Limited. They apparently accepted the MRIC valuation without performing any further audit procedures.

Harfang Investments Inc.

112. On March 31, 2002, Channel Fixed Income Fund Ltd. allegedly transferred assets having a value of $94,301,162 to Harfang Investments Inc. ("**Harfang**") in exchange for Harfang's alleged $19,298,000 interest in First Horizon Bank, Barbados Inc. and a $66.9 million equity position in Harfang.

113. The Working Papers do not disclose that Defendants performed sufficient appropriate audit procedures to audit the carrying value of the assets transferred out of Channel Fixed Income Fund Ltd. or to verify that the parties involved in this transaction were not related. The Working Papers disclose no information as to the identity of the officers, directors or beneficial shareholders of Harfang.

114. Despite the lack of documentation in the Working Papers to support the ownership and value of the investment in Harfang, Defendants completed the audit for the fiscal year 2002 and released the audit opinion.

115. The Channel Funds' investment in Harfang was carried at $66,903,817 as at September 30, 2002.

116. Defendants Working Papers disclose insufficient audit evidence to support either the ownership or the carrying value of this investment.

Mosaic Composite Ltd.

117. The Channel F.S. Fund Ltd.'s investment in Mosaic Composite Ltd. was carried at a value of $4,593,537 as at September 30, 2002.

118. The Working Papers disclose no supporting documentation as to the ownership and carrying value of this investment.

C-Max

119. The carrying value of the Channel Funds' investment in C-Max was recorded as being $80,000 as at September 30, 2002. There is disclosure in the Working Papers that Defendants ever performed audit procedures or requested any supporting documentation regarding the value or ownership thereof.

E) OTHER ASSETS

Mount Real Innovation Center Ltd.

120. The investment of Channel Diversified Private Equity Fund Ltd. in MRIC was carried at a value of $8,782,650 as at September 30, 2002.

121. There is no audit evidence in the Working Papers to support either the ownership or the carrying value of this investment.

122. For the purpose of valuing the MRIC investment, Defendants relied upon an unsigned, draft valuation prepared by the investee company itself (MRIC), provided by management for the year ended September 30, 2002, as well as unaudited financial statements of MRIC for the year ended December 31, 2001.

Niocan Inc.

123. The investment of Channel Diversified Private Equity Fund Ltd. in Niocan Inc. was carried at a value of $1,540,000 as at September 30, 2003.

124. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

BDP Retirement Homes Inc.

125. The Channel Funds' investment in BDP Retirement Homes Inc. was carried at a value of $1,000,000 as at September 30, 2003.

126. Defendants obtained the Deed of Assignment between Globe X Management Holdings Limited (Assignor) and Channel Fixed Income Fund Limited (Assignee) dated September 30, 2003 with respect to 1,000 Common Shares in BDP Retirement Homes Inc. The assignment was made in consideration of $1. The Working Papers disclose no audit evidence of the carrying value of $1,000,000.

AMT International Mining Corp.

127. The Channel Funds' investment in AMT International Mining Corp. ("**AMT**") was carried at a value of $1,000,000 as at September 30, 2003.

128. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

Oceanwide.com Inc.

129. The investment of Channel Technology Fund Ltd. in Oceanwide.com Inc. ("**Oceanwide**") was recorded at a carrying value of $14,735,155 as at September 30, 2002 and 2003.

130. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

131. Defendants obtained a schedule of the shareholding of Oceanwide as of April 30, 2002, which indicates that neither Channel Technology Fund Ltd. nor Channel Fixed Income Fund Ltd. are shareholders of Oceanwide.

132. For the purpose of valuing the Oceanwide shares, Defendants relied upon documents provided by management, including:

  (a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

  (b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

133. These valuations have not been prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

Lonald Holdings N.V. (PRB S.A.)

134. The investment of Channel Diversified Private Equity Fund Ltd. in Lonald Holdings N.V. (PRB S.A.) ("**Lonald Holdings**") was recorded at a carrying value of $3,220,990 as at September 30, 2002 and 2003.

135. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

136. Although materiality for investments of Channel Diversified Private Equity Fund Ltd. was $500,000 in 2002 and undocumented in 2003, Defendants indicated that the $3.2

million investment in Lonald Holdings, representing 33% of its total assets, was not material and the Working Papers disclose no further work in that regard. This investment was material.

137. During the fiscal year 2003 audit, Defendants were aware that the investee Lonald Holdings was undergoing financial difficulty and stated in their working papers that, *"if impaired at 50%, then asset risk is overvaluation of approximately $1.5M"*. They nevertheless maintained that such amount was not material and decided not to require a write-down with respect to this investment.

V. RELIANCE ON THE CHANNEL FUND FINANCIAL STATEMENTS

138. Defendants were aware that the Norshield Group of Companies and the auditors thereof were relying on their audits of the Channel Funds. In particular, the value of the assets of the Channel Funds was utilized in establishing the net asset values of the shares of the companies making up the Norshield Group of Companies.

139. On or about February 26, 2003, Defendants provided Grant Thornton, the auditors of Mosaic, with a letter of comfort regarding the audits of the Channel Funds, indicating:

> *"We understand that you intend to rely on these audited financial statements in your audit of Mosaic Composite Limited, and we are not aware of any reason you should not do so."*

140. Defendants further provided the auditors of Mosaic with an audit summary memorandum regarding the audits of each of the Channel Funds.

VI. SPECIFIC DEROGATIONS FROM ISA

Terms of Audit Engagements (ISA 210)

141. The Working Papers do not contain an engagement letter for each of the Channel Funds as required by ISA 210.2. Instead, Defendants prepared one engagement letter for the group, for the fiscal year ended September 30, 2002, the whole as appears from a copy of the engagement letter, communicated herewith as **Exhibit P-3**.

142. The engagement letter, Exhibit P-3, does not state that the audit will be conducted in accordance with International Standards on Auditing.

143. The Working Papers contain no engagement letter with respect to the fiscal 2003 audits of the Channel Funds.

Quality Control for Audit Work (ISA 220)

144. The Working Papers of Defendants reveal no implementation of quality control policies or procedures, either generally or in the specific context of the audit of the Channel Funds.

145. There is no indication in the Working Papers that Defendants Marini and Ragonese arranged for any other partner of Defendant Brooks, Di Santo to review the final audited financial statements.

Documentation (ISA 230)

146. Throughout the Working Papers of Defendants, there is a lack of documentation regarding the audit evidence which ought to have been obtained by Defendants.

147. The Working Papers of Defendants are not sufficiently complete and detailed to comply with the documentation standards of the profession and ISA.

148. The Working Papers of Defendants do not include:

(a) information concerning the legal and organizational structure of the Channel Funds;

(b) evidence of the planning process, including audit programs and any changes thereto;

(c) evidence of Defendants' understanding of the accounting and internal control systems;

(d) evidence of the inherent and control risk assessment and any revisions thereof;

(e) analyses of transactions and balances;

(f) analyses of significant ratios and trends;

(g) a record of the nature, timing and extent of audit procedures performed and the results of such procedures;

(h) an indication as to who performed the audit procedures and when they were performed;

(i) conclusions reached by the auditor concerning significant aspects of the audit, including how exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.

Responsibility to Consider Fraud and Error (ISA 240)

149. The Working Papers of Defendants disclose no indication that the risk of fraud or error was considered by Defendants.

150. In this regard, the Working Papers disclose no indication of Defendants' inquiries of management as to:

(a) management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;

(b) the accounting and internal control systems management has put in place to address such risk;

(c) management's understanding regarding the accounting and internal control systems in place to prevent and detect error;

(d) management's awareness of any known fraud that has affected the entity or suspected fraud that the entity is investigating; and

(e) management's discovery of any material errors.

151. There is no disclosure in the Working Papers that Defendants assessed inherent or control risks in the course of their audits of the Channel Funds.

152. The Working Papers of Defendants contain no summary of unadjusted misstatements.

Consideration of Law and Regulations (ISA 250)

153. Although Defendants were required to possess an understanding of the applicable legal and regulatory framework within which the Channel Funds operated, their Working Papers contain no documentation as to:

(a) the Bahamian legal and regulatory framework applicable to the Channel Funds and their compliance with such framework;

(b) any discussion with management regarding laws and regulations, the controls in place to ensure compliance and their knowledge of irregularities; or

(c) any audit work performed to ensure that the Channel Funds complied with applicable laws and regulations.

Communication of Audit Matters with those Charged with Governance (ISA 260)

154. Although required by ISA, the Working Papers of Defendants disclose no indication:

(a) of the identity of the persons charged with governance and with whom audit matters of governance are communicated;

(b) that Defendants considered and communicated audit matters of governance interest with those charged with governance of the Channel Funds;

(c) that Defendants communicated audit matters of governance interest on a timely basis or at all.

Planning (ISA 300)

155. The Working Papers contain no audit plan describing the expected scope and conduct of the audit.

156. The Working Papers contain no audit programs, which would set out the nature, timing and extent of planned audit procedures required to implement the overall audit plan.

Audit Materiality (ISA 320)

157. The basis used to calculate materiality is not documented in the Working Papers of Defendants.

Risk Assessment and Internal Control (ISA 400)

158. Contrary to ISA, the Working Papers of Defendants contain no documentation as to their understanding of the Channel Funds':

(a) accounting systems;

(b) internal control systems;

(c) control environment; or

(d) control procedures.

159. There is no indication in the Working Papers of Defendants that they assessed inherent risk with respect to the financial statements and account balances.

160. Similarly, there is no indication that Defendants assessed control risk with respect to assertions, each material account balance, or class of transactions.

Audit Evidence (ISA 500)

161. The purpose of an audit is to verify the representations and estimates of management with professional skepticism and not simply to accept such representations and estimates without the corroboration of sufficient appropriate audit evidence.

162. The Working Papers do not contain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base Defendant Brooks, Di Santo's audit opinions.

163. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, there is no indication in the Working Papers that Defendants ever asked to see the files of, or to talk to, any previous firm of external accountants of the Channel Funds.

164. The summary review memoranda signed by Defendants Marini and Ragonese indicate that their 2002 audit procedures included:

> *"a review of the latest audited accounts, latest interim results, review of business plans and three year forecasts, as well as ensuring that the beneficial ownership of the equity interests in question were documented as belonging to the Fund. The cost of the investments was agreed to appropriate audit evidence, and the test of fair value was made by comparing the cost to detailed business valuations provided by Channel Analytics. These valuations used standard discounted cash flow modeling to establish a range of value. We tested the assumptions used in these models and determined that they were reasonable and plausible in the circumstances. Forecasted revenues were well supported in both cases with detailed plans and/or actual growth patterns experienced."*

165. The Working Papers of Defendants for that year provide no evidence that such procedures were actually performed and do not contain many of the documents referenced, such as the latest audited financial statements, latest interim results, business plans and documents evidencing the cost of investments.

166. Furthermore, the assumptions underlying the valuations were not reasonable and plausible and the forecasted revenues were not supported with detailed business plans.

167. The summary review memoranda further indicate that "*[t]hese companies have been in business for several years and have sophisticated management teams, corporate governance and financial reporting processes in place.*"

168. The Working Papers of Defendants disclose no evidence as to the history of the companies or the sophistication of their management teams, corporate governance and financial reporting processes.

169. Despite the lack of sufficient appropriate audit evidence in the Working Papers for any of its audits of the Channel Fund Financial Statements, all of Defendant Brooks, Di Santo's audit opinions were unqualified.

Audit Evidence – Additional Consideration to Specific Items (ISA 501)

170. The Working Papers disclose no indication that Defendants carried out procedures in order to become aware of any litigation and claims involving the Channel Funds, in that:

(a) they contain no documentation regarding litigation and claims; and

(b) they do not refer to any confirmation requests sent to lawyers.

171. The Working Papers of Defendants do not disclose sufficient appropriate audit evidence regarding the evaluation and ownership of long-term investments that were material to the Channel Fund Financial Statements.

External Confirmations (ISA 505)

172. The external confirmations received by Defendants to support assertions in the Channel Fund Financial Statements were from related parties, including Stephen Hancock, the owner of Cardinal International Corporation Ltd. (**"Cardinal"**) and a director of the Channel Funds.

173. Such confirmations did not constitute appropriate audit evidence.

174. The Working Papers of Defendants contain no evidence that they maintained control over the confirmation process.

Initial Engagements – Opening Balances (ISA 510)

175. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, the Working Papers disclose no audit procedures on the opening balances of the Channel Fund Financial Statements for that fiscal year. They do not disclose sufficient appropriate audit evidence that the opening balances did not contain misstatements that materially affected the financial statements.

176. Despite the lack of sufficient appropriate audit evidence in the Working Papers concerning the opening balances, Defendant Brooks, Di Santo issued unqualified audit opinions regarding the Channel Fund Financial Statements.

Analytical Procedures (ISA 520)

177. The Working Papers of Defendants reveal no indication that analytical procedures were performed at the planning and overall review stages and at the end of the audits.

Audit of Accounting Estimates (ISA 540)

178. The most important assets of the Channel Funds are the Portfolio Assets represented by accounting estimates.

179. The fair market value of those investments was derived from assumptions of the prospective financial results of the investee companies and the estimated risk of attaining such future results.

180. The Working Papers do not disclose sufficient appropriate audit evidence regarding:

(a) the fair market values of the Portfolio Assets;

(b) the assumptions underlying the business valuations of the Portfolio Assets.

181. The Working Papers contain no documentation as to:

(a) the process used by management to develop the estimate of fair market value;

(b) whether the data on which the fair market values were based is accurate, complete and relevant;

(c) whether the data was properly analyzed and projected to form a reasonable basis for determining the reasonableness of the estimate.

182. The Working Papers reveal that Defendants failed to perform the following steps to review and test the process used by management:

(a) evaluating the data and considering the assumptions on which the estimate was based;

(b) testing the calculation involved in the estimate;

(c) comparing estimates made for prior periods with the results of those periods;

(d) using an independent estimate to be used for comparison purposes;

(e) considering management's approval procedures.

183. Accordingly, Defendants' evaluation of the underlying assumptions was erroneous, superficial and insufficient.

184. There is no indication in the Working Papers of Defendants that they used the work of an expert appraiser or certified business valuator.

185. The Working Papers disclose no evidence that Defendants performed a subsequent event review to confirm the projections used to estimate the fair market value of the Portfolio Assets.

186. Although Defendants were made aware of the financial difficulties of investees Lonald Holdings and Oceanwide, no adjustments were requested to be made to their fair market value by Defendants.

Related Parties (ISA 550)

187. The Working Papers of Defendants do not contain:

(a) a list of related parties, including Mosaic, Cardinal and BICE;

(b) any audit procedures to ensure that related parties were disclosed to Defendants;

(c) any indication that Defendants received information regarding related parties from management or any review by Defendants of such information;

(d) any indication that Defendants were satisfied that the disclosure of related party relationships was adequate under IAS.

188. There is no indication in the Working Papers that Defendants performed a review of the shareholder records of Channel Fixed Income Fund Ltd. or performed procedures to ensure the completeness of related party information.

189. The acquisition of the Portfolio Assets involved substantially all related-party transactions that were not properly recorded or disclosed. The Working Papers do not contain sufficient appropriate audit evidence with respect to such acquisitions.

190. There is no disclosure in the Working Papers that Defendants considered the adequacy of control procedures on the authorization and recording of related party transactions.

Subsequent Events (ISA 560)

191. The Working Papers do not disclose that Defendants performed procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the report that may require adjustments or disclosure were identified.

Going Concern (ISA 570)

192. There is no evidence in the Working Papers of Defendants that they ever considered the appropriateness of management's use of the going concern assumption in the preparation of the Channel Fund Financial Statements, in the planning and performance of audit procedures, or in evaluating the results therof.

193. In their 2003 audit of Channel Fixed Income Fund Ltd., Defendants apparently deemed it appropriate not to require a going concern note, or otherwise address the capacity of the corporation to pay two debentures totaling $97,800,000, which were presented as long-term liabilities but which had a short term maturity date of January 8, 2004.

Management Representations (ISA 580)

194. Representation letters for the fiscal year ended September 30, 2002 refer to "generally accepted accounting principles", whereas they should have referred to "International Accounting Standards".

195. Representation letters for the fiscal year ended September 30, 2003 are not tailored to the business of the Channel Funds, in that they refer to "provisions for future removal and site restoration costs".

196. Although the valuation and measurement of investments were the most important assertions of the audit of the Channel Fund Financial Statements, they are not included in the representation letters.

197. Defendants did not use the ISA form of representation letter.

198. There is no evidence in the Working Papers that Defendants obtained a signed copy of the final Channel Fund Financial Statements, which should have been signed by two directors.

Using the Work of an Expert (ISA 620)

199. The Working Papers of Defendants contain no documentation as to:

(a) the audit evidence obtained to evaluate the work performed by MRIC, Mount Real and Spectrum (the "**Valuators**");

(b) the expertise and competence of the Valuators;

(c) the good standing of the Valuators with their professional regulatory body;

(d) the experience, reputation and independence of the Valuators;

(e) any review of the terms of engagement of the Valuators;

(f) any review of the source data used by the Valuators;

(g) any review of the assumptions, methods and consistency utilized by the Valuators;

(h) any review of the fair market values obtained by the Valuators in light of Defendants' overall knowledge of the business of the Channel Funds and of the results of other audit procedures.

<u>Defendant Brooks, Di Santo's Report on Financial Statements (ISA 700)</u>

200. Defendant Brooks, Di Santo's audits of the Channel Fund Financial Statements were not conducted in accordance with ISAs.

201. The audits were not planned and performed to obtain reasonable assurance as to whether the Channel Fund Financial Statements were materially misstated. To the contrary, the Working Papers reveal that insufficient audit evidence was obtained by Defendants and the Channel Fund Financial Statements were materially misstated.

202. There is no indication in the Working Papers that Defendants:

(a) examined evidence to support the financial statements and disclosures;

(b) assessed the accounting principles used in the preparation of the financial statements;

(c) assessed the significant estimates made by management concerning the fair market value of the investments;

(d) evaluated the overall financial statement presentation.

203. The audits performed by Defendants do not provide a reasonable basis for the audit opinions of Defendant Brooks, Di Santo.

204. The Channel Fund Financial Statements were not prepared in accordance with IAS and do not present fairly the financial position of the Channel Funds.

205. Had Defendants complied with ISA and IAS in connection with their audits of the Channel Fund Financial Statements, Defendant Brooks, Di Santo would not have issued unqualified audit reports in connection therewith.

VII. DAMAGES

206. Defendants were aware, or ought to have been aware, that the financial statements of the Channel Funds were being used and relied upon by the auditors of Mosaic, OUL, OUBT and OUFC, as well as by retail investors in Canada for the purpose of determining the carrying value of investments and the net asset value of investment units.

207. The failure to accurately reflect the significant impairment of the carrying value of investments and accounts receivable on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 resulted in artificially inflated asset values for the entire Norshield Group of Companies.

208. The artificially inflated asset values had the effect of enabling the Norshield Group of Companies to continue its business operations including, in particular, the solicitation of investments from new and existing clients.

209. Had Defendants respected the relevant IASs and ISAs, the impairment of the carrying value of investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. It would have been apparent from such financial statements that these companies were insolvent and that the investments held by Mosaic, OUL, OUBT and OUFC were significantly impaired.

210. A substantial decrease in the reported net asset values of the Norshield Group of Companies would have resulted in substantially increased redemption requests on the part of investors and a complete cessation of additional subscriptions from existing and new investors, such that the continuing operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

211. All Defendants had a duty of care to the entities in the Norshield Group of Companies and to Plaintiffs and they negligently breached that duty.

212. All Defendants caused damages to Plaintiffs as a direct result of their fault, negligence, imprudence and want of care in the preparation of the audited financial statements of the Channel Funds.

213. As a direct and immediate result of the Defendants' faults, omissions and failure to conduct the audits for the fiscal years ended September 30, 2002 and September 30, 2003 in accordance with ISAs, Plaintiffs have suffered damages of at least CAD$5,000,000.

214. Defendants failed to perform the audit work in accordance with prevailing professional standards and such failure was the direct and immediate cause of damages suffered by Plaintiffs.

VIII. ADDITIONAL MATTERS

215. Following the appointments of the Plaintiffs as Receiver and Joint Official Liquidators, the Plaintiffs' primary focus was to identify, take possession of and/or exercise control over the assets of the numerous companies forming the Norshield Group of Companies;

216. The Plaintiffs' task in this regard was extremely complex and time-consuming, and involved obtaining accounting and supporting records of the Norshield Group of Companies, many of which were not complete or up-to-date;

217. In light of the voluminous and highly complex nature of the documents, including the Defendants' Working Papers, that the Plaintiffs obtained regarding the Norshield Group of Companies, it was only on or about August 31, 2007 that the Plaintiffs were able to complete their analysis of the conduct of the Defendants regarding their audits of the Channel Fund Financial Statements for the fiscal years ended September 30, 2002 and September 30, 2003;

218. In November 2008, the Plaintiffs made a "Motion to Authorize the Commencement of Proceedings" (the "Authorization Motion") against the Defendants before Justice Colin Campbell of the Ontario Superior Court of Justice, which the Ontario attorneys for the Defendants contested on the ground that the proposed lawsuit alleged information that the Plaintiffs had obtained during out-of-court examinations of the Defendants;

219. On November 3, 4 and 5, 2008, given their uncertainty as to when judgment would be rendered on the Authorization Motion and in order not to place undue pressure on the Court or the parties, the Ontario attorneys for the Plaintiffs and the Defendants expressly agreed, on behalf of their respective clients, that the delay for the Plaintiffs to file a lawsuit against the Defendants would be frozen or suspended ("tolled") until such time as Justice Campbell ultimately rendered judgment, as appears from copies of e-mails communicated herewith as **Exhibit P-4**;

220. On January 13, 2010, Justice Campbell rendered judgment on the Authorization Motion and authorized the Plaintiffs (subject to certain restrictions on the use of evidence obtained from the out-of-court examinations of the Defendants) to file a lawsuit against the Defendants, as appears from a copy of his "Order" communicated herewith as **Exhibit P-5**;

221. Accordingly, the three (3) year prescriptive period that is applicable to the present lawsuit was interrupted and/or suspended on November 3 or 4 or 5, 2008, and only started over and/or resumed on January 13, 2010;

~~215.~~222. The present Motion is well founded both in fact and in law.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

[1] **SHORTEN** the delay, if necessary, for service of the present Motion;

[2] **GRANT** the present Motion;

[3] **ORDER** Defendants Brooks, Di Santo, Peter Marini and Fred Ragonese solidarily to pay the sum of $5,000,000, plus interest at the legal rate together with the additional indemnity provided by law, to:

(a) Plaintiff RSM Richter Inc., in its capacity as Receiver of all of the assets, undertakings and properties of: Olympus United Funds Corporation and Olympus United Funds Holdings Corporation; and

(b) Plaintiffs Raymond Massi and George Clifford Culmer, in their capacity as Joint Official Liquidators of Mosaic Composite Limited (U.S.), Inc.;

[4] **THE WHOLE** with costs, including the costs of expert evidence.

Montreal, ~~●, 2009~~February ●, 2010

~~FISHMAN FLANZ MELAND PAQUIN LLP~~
KUGLER KANDESTIN, L.L.P.
Attorneys for Plaintiffs
RSM Richter Inc. as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

NOTICE OF PRESENTATION

TAKE NOTICE that the annexed Motion to Institute Proceedings will be presented for adjudication before one of the Honourable Judges for the Superior Court (Commercial Division) for the District of Montreal, in Room 16.10, at the Court House of Montreal, 1 Notre-Dame Street East, Montreal, Province of Quebec, on ~~October ●~~March ●. 2010, at 9:00 a.m. or so soon thereafter as Counsel may be heard and do govern yourselves accordingly.

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Montreal, ●~~, 2009~~February ●. 2010

~~FISHMAN FLANZ MELAND PAQUIN LLP~~
KUGLER KANDESTIN, L.L.P.
Attorneys for Plaintiffs
RSM Richter Inc., as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

LIST OF EXHIBITS

Exhibit P-1	Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2002;
Exhibit P-2	Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2003;
Exhibit P-3	Engagement letter for the fiscal year ended September 30, 2002-;
Exhibit P-4	Exchange of e-mails between the Ontario attorneys for the Plaintiffs and Defendants on November 3, 4 and 5, 2008;
Exhibit P-5	Order of Justice Colin Campbell dated January 13, 2010.

ONTARIO SECURITIES COMMISSION
Applicant(s)

and

GESTION DE PLACEMENTS NORSHIELD (CANADA) LTÉE/NORSHIELD ASSET MANAGEMENT (CANADA) LTD.
Respondent(s)

Court File No.: 05-CL-5965

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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Lawyers for the RSM Richter Inc., in its capacity as Receiver of the Norshield Group.

SCHEDULE “G”

CANADA

S U P E R I O R C O U R T
(Commercial Division)

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
N^{o}.:
500-17-056214-102

RSM RICHTER INC. a legal person having its principal place of business at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in its capacity as Receiver** of all of the assets, undertakings and properties of Olympus United Funds Corporation and Olympus United Funds Holdings Corporation

-and-

RAYMOND MASSI, Chartered Accountant and Chartered Insolvency Practitioner Professional, residing and domiciled at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

GEORGE CLIFFORD CULMER, Chartered Accountant, with the accounting firm BDO Mann Judd, residing and domiciled at 3rd Floor, Ansbacher Building, P.O. Box N-10144, Nassau, The Bahamas, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

Plaintiffs

v.

BROOKS, DI SANTO, an undeclared partnership of Peter Marini and Fred Ragonese, having its principal place of business at 6455 Jean-Talon East, Suite 700, Montréal, Quebec H1S 3E8

-and-

PETER MARINI, Chartered Accountant, residing and domiciled at 8580 Les Prévoyants Road, Montréal, Québec, H1P 2T1

-and-

FRED RAGONESE, Chartered Accountant, residing and domiciled at 1514 Lemaistre Road, Montréal, Québec, H2M 2C1

Defendants

MOTION TO INSTITUTE PROCEEDINGS

TO A JUDGE OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION FOR THE JUDICIAL DISTRICT OF MONTREAL, PLAINTIFFS STATE AS FOLLOWS:

I. BACKGROUND

1. Plaintiffs were appointed by the Ontario Superior Court of Justice (Commercial List) on June 29, 2005 and by the Supreme Court of the Commonwealth of The Bahamas on January 20, 2006 to, *inter alia*, ascertain and preserve the assets of certain companies in the Norshield Group of Companies, described more fully below.

2. The operations of the Norshield Group of Companies were substantially suspended in 2005.

3. Several entities in the Norshield Group of Companies directly or indirectly held substantial investments in Channel Fixed Income Fund Ltd., Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. (collectively the "**Channel Funds**") and relied upon the audited financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 (the "**Channel Fund Financial Statements**") in making or maintaining investments therein.

4. Defendant Brooks, Di Santo was engaged to audit the Channel Fund Financial Statements.

5. Defendant Brooks, Di Santo was at all relevant times, an unregistered firm of chartered accountants, in which Defendants Peter Marini ("**Marini**") and Fred Ragonese ("**Ragonese**") were partners.

6. All of the audit work performed by Defendant Brooks, Di Santo in connection with the audits of the Channel Fund Financial Statements was performed by Defendants Marini and Ragonese.

7. Without limiting the generality of the foregoing, for each of the fiscal years ended September 30, 2002 and September 30, 2003, Defendant Brooks, Di Santo was engaged to conduct an audit of the financial statements of the Channel Funds, and to express an opinion as to whether those financial statements present fairly, in all material respects, the financial position of the Channel Funds and the results of their operations.

8. Defendant Brooks, Di Santo issued unqualified audit reports in relation thereto.

9. In fact, the carrying value of the investments and accounts receivable on the Channel Fund Financial Statements for the fiscal years ended September 30, 2002 and September 30, 2003 were significantly impaired, to the extent of more than $300 million.

10. Had it not been for the negligence of Defendants, the impairment of the carrying value of the investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. The operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

11. Instead, the misleading financial information arising from Defendants' negligence resulted in an increase in losses suffered by the entities being liquidated by Plaintiffs and a decrease in assets from which to recover their investments, from February 2003 onward.

A) THE NORSHIELD GROUP OF COMPANIES

12. The Norshield Group of Companies consists of a complex corporate structure of companies incorporated in Canada, Barbados, The Bahamas and the United States, including, *inter alia*:

   (a) In Canada:

      (i) Corporation de Fonds Unis Olympus / Olympus United Funds Corporation (formerly First Horizon Holdings Ltd.) ("**OUFC**");

      (ii) Gestion de Placements Norshield (Canada) Ltée / Norshield Asset Management (Canada) Ltd. ("**NAM**");

      (iii) Gestion des Partenaires d'Investissement Norshield Ltée / Norshield Investment Partners Holdings Ltd. (formerly Olympus United Holdings Inc.) ("**Norshield Partners**");

      (iv) Groupe Olympus United Inc. / Olympus United Group Inc. ("**Olympus Group**");

      (v) Honeybee Software Technologies Inc. / Technologies de Logiciels Honeybee Inc. (formerly Norshield Investment Corporation ("**NIC**")/ Corporation d'Investissement Norshield) ("**Honeybee**");

      (vi) Norshield Capital Management Corporation / Corporation Gestion de l'Actif Norshield ("**NCMC**");

(vii) Olympus United Funds Holdings Corporation;

(b) In Barbados, Olympus United Bank and Trust SCC ("**OUBT**");

(c) In The Bahamas:

(i) Mosaic Composite Limited, which appears to have since amalgamated with an American company to form Mosaic Composite Limited (U.S.), Inc. ("**Mosaic**") in the United States;

(ii) Olympus Univest Ltd. ("**OUL**");

(iii) Channel Funds;

(d) In the United States:

(i) Mosaic;

(ii) Norshield Investment Partners Inc.;

(collectively referred to as the "**Norshield Group of Companies**").

B) APPOINTMENT OF THE RECEIVER AND JOINT OFFICIAL LIQUIDATORS

13. Plaintiff RSM Richter Inc. (the "**Receiver**"), is the Receiver of all of the assets, undertakings and properties of NAM, Norshield Partners, Olympus United Funds Holdings Corporation, OUFC, OUBT, Olympus Group, NCMC and Honeybee (collectively referred to as the "**Canadian Receivership Companies**"), pursuant to:

(a) An initial order rendered on June 29, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) appointing Plaintiff RSM Richter Inc. as Receiver (the "**Initial Order**");

(b) A Judgment rendered on June 30, 2005 by the Honourable Mr. Justice Jean Guibault of this Honourable Court, confirming the appointment of the Receiver and giving effect to the Initial Order in the Province of Quebec;

(c) An order rendered on July 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List), continuing the appointment of the Receiver, pursuant to the Initial Order;

(d) Orders rendered on September 9, 2005 and October 14, 2005 by the Honourable Mr. Justice Colin Campbell of the Ontario Superior Court of Justice (Commercial List) extending the appointment of the Receiver to the assets, undertakings and properties of NCMC and NIC (now Honeybee) (the "**Additional Order**");

(e) A Judgment rendered on September 16, 2005 by the Honourable Mr. Justice Paul G. Chaput of this Honourable Court, confirming the appointment of the Receiver with respect to the Canadian Receivership Companies and giving effect to the Additional Order in the Province of Quebec.

14. The Receiver and Brian F. Griffith & Company, a Barbados accounting firm, were appointed Joint Custodians of OUBT by Order of the Barbados High Court of Justice dated September 22, 2005.

15. Plaintiffs Raymond Massi, a partner of the Receiver, and G. Clifford Culmer, a partner of BDO Mann Judd, an accounting firm operating in The Bahamas, were appointed:

(a) Joint Official Liquidators of OUL, by Order dated February 6, 2006 of the Supreme Court of the Commonwealth of The Bahamas;

(b) Joint Receivers of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 20, 2006;

(c) Joint Provisional Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated March 22, 2006; and

(d) Joint Official Liquidators of Mosaic, by Order of the Supreme Court of the Commonwealth of The Bahamas dated January 23, 2007.

C) MANDATE OF BROOKS, DI SANTO

16. Defendants were engaged to examine the books and records, accounts, internal controls and procedures of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003.

17. Defendants audited the Channel Fund Financial Statements and issued unqualified audit reports thereon, the whole as appears more fully from the Channel Fund Financial Statements:

(a) for the fiscal year ended September 30, 2002, communicated herewith as **Exhibit P-1**;

(b) for the fiscal year ended September 30, 2003, communicated herewith as **Exhibit P-2**;

18. Defendants obtained only one engagement letter for the audit of the Channel Fund Financial Statements, for the fiscal year ended September 30, 2002, the whole as appears from the engagement letter dated December 16, 2002, communicated herewith as **Exhibit P-3**.

19. The audit work relating to the Channel Fund Financial Statements was performed in Montreal, notwithstanding that the Channel Funds were located in The Bahamas.

20. Defendants Marini and Ragonese, who are both partners in Defendant Brooks, Di Santo, were the only accountants that performed any work in connection with the audits of the Channel Funds for the fiscal years 2002 and 2003.

21. The auditor's reports issued by Defendant Brooks, Di Santo on the Channel Fund Financial Statements were unqualified, and represented that the financial statements were prepared in accordance with international accounting standards.

22. The Channel Fund Financial Statements grossly misstated the actual financial position of the Channel Funds and concealed the true picture.

23. In their audit of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, all Defendants failed:

(a) to exercise the degree of care required;

(b) to determine that the carrying value of investments and receivables was materially overstated;

(c) to determine that there was inadequate disclosure of related party transactions;

(d) to determine that revenue and profits were overstated;

(e) to determine that substantially all the assets were not owned by the Channel Funds; and

(f) to advise the Channel Funds of the inadequate supervision and internal controls over their investments.

24. The Channel Fund Financial Statements were misleading and negligently prepared, in that, *inter alia*:

(a) the Channel Fund Financial Statements reflected inflated carrying values of all assets recorded therein, without recognition of any significant impairment, despite the fact that the carrying values of the investments and accounts receivable of the Channel Funds were significantly impaired to the extent of more than $300,000,000 for the fiscal years ended September 30, 2002 and September 30, 2003;

(b) material assets reflected on the Channel Fund Financial Statements were not owned by the Channel Funds, in that:

(i) assets were subject to option agreements pursuant to which the options had never been exercised (including First Horizon Holdings Ltd., MicroSlate Inc., Vezina Composites Inc. and Olympus United Holdings Inc.); and

(ii) assets were the subject of alleged ownership disputes that culminated in the total write-off thereof (including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max);

(c) material assets were reflected on the Channel Funds Financial Statements without Defendants having reviewed evidence of the Channel Funds' ownership thereof (including Mount Real Innovation Center Ltd., Niocan Inc., BDP Retirement Homes Inc., AMT International Mining Corp., Oceanwide.com Inc. and Lonald Holdings N.V. (PRB S.A.));

(d) material receivables were reflected on the Channel Fund Financial Statements without any impairment, despite the doubtful collectibility of such receivables (including a receivable in the amount of $148,000,000 from BICE International Inc. ("**BICE**"));

(e) material assets were transferred to and from related parties without disclosure of such relationships on the Channel Fund Financial Statements (including Emerald Key Management Ltd. and investments in Globe-X International).

25. The failure to disclose the existence of related party transactions allowed Mosaic to hold investments in and to continue to transact business with the Channel Funds in an imprudent fashion, on terms that were not commercially reasonable and to the detriment of the entities of which Plaintiffs are liquidators.

26. Mosaic relied upon the Channel Fund Financial Statements for maintaining its investments in the Channel Funds, and other entities within the Norshield Group of Companies relied upon the audited financial statements of Mosaic for the same purposes.

D) FLOW OF FUNDS THROUGH THE NORSHIELD GROUP OF COMPANIES

27. Relying primarily on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003, *inter alia*, Mosaic maintained material and substantial investments in the Channel Funds, OUL maintained material and substantial investments in Mosaic, OUBT made and maintained material and substantial investments in OUL, and OUFC made and maintained material and substantial investments in OUBT.

28. All amounts herein are expressed in United States dollars, unless otherwise specified.

Investments by OUFC in OUBT

29. OUFC and Olympus Group raised funds from retail investors in Canada and used those funds to make substantial and material investments in OUBT, in different classes of shares.

30. OUFC held the following investments in OUBT:

	September 30, 2003 (CDN$)	September 30, 2002 (CDN$)
Investment in OUBT	$200,751,180	$145,415,980
Total assets of OUFC	$207,912,319	$173,353,459
Total investments as a percentage of total assets	**96.6%**	**83.9%**

31. The carrying value of the investments made by OUFC in OUBT was highly material to the financial statements of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 83.9% and 96.6% of the total assets of OUFC for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUBT in OUL

32. OUBT invested substantial and material amounts of the retail investors' funds in the following investments in OUL:

	September 30, 2003	September 30, 2002
Investment in OUL – Class C	$ 98,577,774	$ 61,332,555
Investment in OUL – Class B	3,123,249	1,433,509
Investment in OUL – Class E	110,586	-
Total investments in OUL	**$101,811,609**	**$ 62,766,064**
Total assets of OUBT	$149,809,062	$109,137,763
Total investments as a percentage of total assets	**68.0%**	**57.5%**

33. The carrying value of the investments made by OUBT in OUL was highly material to the financial statements of OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 57.5% and 68% of the total assets of OUBT for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by OUL in Mosaic

34. OUL raised funds directly from institutional investors and other direct investors, and invested virtually all of those funds, together with the funds invested by OUBT, in the following investments in Mosaic:

	September 30, 2003	September 30, 2002
Investment in Mosaic	$403,898,308	$223,054,225
Total assets of OUL	$448,041,613	$231,244,030
Total investment as a percentage of total assets	**90.1%**	**96.5%**

35. The carrying value of investments held by OUL in Mosaic was highly material to the financial statements of OUL for the fiscal years ended September 30, 2002 and 2003, as the investments represented 96.5% and 90.1% of the total assets of OUL for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Mosaic in Channel Fixed Income Fund Ltd.

36. Mosaic held investments in Channel Fixed Income Fund Ltd., which in turn held investments in Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd.

37. Mosaic held the following investments in Channel Fixed Income Fund Ltd.:

	September 30, 2003	September 30, 2002
Fixed income securities	$143,800,000	$143,800,000
Long-term investment	162,874,434	76,611,308
Total investments in Channel Fixed Income Fund Ltd.	**$306,674,434**	**$220,411,308**
Total assets of Mosaic (net of bank loan payable)	$470,328,186	$291,248,740
Total investments as a percentage of total assets	**65.2%**	**75.7%**

38. The carrying value of the investments held by Mosaic in Channel Fixed Income Fund Ltd. was highly material to the financial statements of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, as the investments represented 75.7% and 65.2% of the total assets of Mosaic for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

Investments by Channel Fixed Income Fund Ltd. in the Other Channel Funds

39. Channel Fixed Income Fund Ltd. had equity interests in the following entities:

	September 30, 2003	September 30, 2002
Channel F.S. Fund Ltd.	$194,127,076	$198,223,202
Channel Technology Fund Ltd.	29,683,112	63,848,578
Channel Diversified Private Equity Fund Ltd.	9,502,936	23,768,919
Total investments	**$233,313,124**	**$285,840,699**
Total assets of Channel Fixed Income Fund Ltd.	$324,262,583	$317,480,256
Total investments as a percentage of total assets	**72.0%**	**90.0%**

40. The carrying value of those investments was highly material to the Channel Fixed Income Fund Ltd. financial statements for the fiscal years ended September 30, 2002 and September 30, 2003, as they represented 90% and 72% of the total assets of Channel Fixed Income Fund Ltd. for the fiscal years ended September 30, 2002 and September 30, 2003, respectively.

II. THE CHANNEL FUND FINANCIAL STATEMENTS

41. The Channel Fund Financial Statements purported to have been prepared in accordance with International Accounting Standards ("**IAS**") and audited in accordance with International Standards on Auditing ("**ISA**").

42. The audited carrying values of the investments and accounts receivable of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 are summarized as follows:

	Audited Book Value as at September 30, 2002	Audited Book Value as at September 30, 2003
	('000)	
Channel F.S. Fund Ltd.		
C-Max	80	
Composite	4,593	
Emerald Key Advisors	8,000	8,000
Emerald Key Management Ltd.	40,178	
First Horizon Holdings Ltd.	59,100	92,250
Globe-X International Class C	1,826	
Globe-X International Class D	1,689	
Harfang Investment Inc.	66,904	

iForum Financial Network Inc.	576	
Investsafe Limited	13,468	
Olympus United Holdings Inc.	46,085	46,085
Channel Technology Fund Ltd,		
Microslate Inc.	30,338	19,438
Oceanwide.com Inc.	14,735	14,735
Channel Diversified Private Equity Fund Ltd.		
Mount Real Innovation Center Ltd.	8,783	
Lonald Holdings N.V. (PRB S.A.)	3,221	3,221
Vezina Composites Inc.	2,881	2,882
Niocan Inc.		1,540
BDP Retirement Homes Inc.		1,000
AMT International Mining Corp.		1,000
Other		
Managed Accounts		
Cash - Cardinal International	5,291	3,524
Owed by Composite	8,265	359
Accounts Receivable - BICE	-	148,000
Accounts Receivable - Others	1,467	1,467
Total Portfolio Assets	**$317,480**	**$343,500**

(collectively the "**Portfolio Assets**").

43. In fact, the Channel Fund Financial Statements were not prepared in accordance with IAS, were not audited in accordance with ISA, were materially misleading and did not present fairly the financial position of the Channel Funds, in that, *inter alia*:

(a) substantially all of the assets carried on the Channel Fund Financial Statements were not owned by the Channel Funds and should not have been included in said financial statements.

(b) the Channel Fund Financial Statements reflected inflated carrying values for substantially all the assets recorded therein, without recognition of any significant impairment.

(c) the carrying values of the Portfolio Assets were significantly impaired to the extent of more than $300 million and should have been reflected on the Channel Fund Financial Statements, which would have resulted in:

(i) the disclosure of the insolvency of the Channel Funds; and

(ii) a denial of opinion or adverse opinion being rendered by Defendants.

III. DEPARTURE FROM IAS

Investments (IAS 27 and 39)

44. The financial statements of Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. should have been consolidated with those of their parent, Channel Fixed Income Fund Ltd. The failure to consolidate such financial statements resulted in the overstatement of the assets of Channel Fixed Income Fund Ltd. by the amount of $84 million, being the amount of a dividend receivable from Channel F.S. Fund Ltd. which arose from an artificial transaction with BICE.

45. On the Channel Fund Financial Statements, all investments were allegedly accounted for at the "lower of cost and fair value". The investments should have been classified as held-for-trading and measured at fair value, with the changes in fair value (gains and losses) recognized in net earnings. The financial assets that were not quoted in the active market should have been recorded at cost. In the case of a permanent impairment in value, a write-down should have been recorded.

Related Party Disclosures (IAS 24)

46. In the case of transactions between related parties, the Channel Funds should have, but failed to, disclose the nature of the related party relationships as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.

Non-Monetary Transactions (IAS 16)

47. The majority of the Channel Funds' portfolio investments were acquired and sold by way of non-monetary transactions whereby investments were exchanged for shares of the Channel Funds. These transactions should have been recorded at the carrying amount, without reflecting any gain or loss.

Cash Flow Statement (IAS 7)

48. The cash flow statement should report cash flows during the period, classified by operating, investing and financing activities. In the cash flow statements of the Channel Funds for the fiscal years ended September 30, 2002 and 2003, virtually all of the transactions under the investing and financing sections were non-cash transactions, but were reflected as if they were cash transactions.

IV. AUDIT NEGLIGENCE OF DEFENDANTS – DEPARTURE FROM ISA

49. Defendants failed to comply with ISA in material respects in connection with the audits of the Channel Fund Financial Statements, as appears more fully below.

A) VALUATION OF ASSETS

50. The Working Papers of Defendants for the audits of the Channel Fund Financial Statements (the "**Working Papers**") do not disclose either independent or expert third party valuations of the assets reflected on the Channel Fund Financial Statements.

51. Instead, Defendants relied upon reports prepared by non-expert, related parties in their audit of the carrying values of the assets carried on the Channel Fund Financial Statements. Management of the Channel Funds engaged Mount Real Innovation Center ("**MRIC**"), Mount Real Corporation ("**Mount Real**") and Spectrum Financial Services ("**Spectrum**") to provide support for their estimates of fair market value of the assets of the Channel Funds.

52. The Working Papers of Defendants do not disclose any audit work to determine the qualifications of those entities or of the employees thereof to perform valuations of investments.

53. Defendants relied upon the work of MRIC, Mount Real and Spectrum in performing the audits.

54. The Working Papers do not disclose any evidence of the relationship of MRIC and Mount Real to the Channel Funds. Had they made inquiries or otherwise performed appropriate audit procedures, they would have determined that MRIC itself was an investee company of the Channel Funds, as at September 30, 2002, and that MRIC's clients included other investee companies of the Channel Funds (i.e. Oceanwide.com Inc., MicroSlate Inc. and Vezina Composites Inc.).

55. Similarly, the Working Papers do not disclose that Defendants were aware that John Sykes, the alleged principal of Spectrum, was also on the board of directors of MicroSlate Inc.

B) ASSETS SUBJECT TO OPTION AGREEMENTS

56. Several investments recorded as assets on the Channel Fund Financial Statements were, in fact, not assets of the Channel Funds because they were subject to option agreements that had never been exercised.

57. Although the options were never exercised, these investments were carried on the Channel Fund Financial Statements at an aggregate value of US$138,405,515, as follows:

Subject Asset	First Option	Second Options	Increase in value	Date – First Option Date – Second Option
19.6 Common Shares of First Horizon Holdings Ltd.	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for an exercise price of: $2,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $59,100,370	$57,100,370	Both October 1, 2000
MicroSlate Inc. common shares	Optioned by Norshield Financial Holdings Ltd. to Liberty Trust for exercise prices of:	Optioned by Liberty Trust to the Channel Entities for an amount of:		
722 shares	$5,870,000	$12,720,000		Both October 1, 2000
713 shares	$5,800,000	$12,562,000		Both June 30, 2001
287 shares	$2,330,000	$5,056,423		Both June 30, 2002
Total 1,722 shares	$14,000,000	$30,338,423	$16,338,423	
148.5 Class A shares and 2,308,017 Class D shares of Vezina Composites Inc.	Optioned by Norshield Financial Holdings Ltd./Norshield Capital Management to Liberty Trust for an exercise price of: $1,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $2,881,946	$1,881,946	Both October 1, 2000
40 Class D shares of 3586839 Canada Inc. / Olympus United Holdings Inc.	Optioned by Norshield Financial Holdings Ltd. / John Xanthoudakis to Liberty Trust for an exercise price of: $10,000,000	Optioned by Liberty Trust to the Channel Entities for an amount of: $46,084,776	$36,084,776	March 31, 2002 September 30, 2002
Total	$27,000,000	$138,405,515	$111,405,515	

58. Although the Working Papers do not disclose evidence of appropriate verification of the ownership and value of such investments, Defendants failed to cause the Channel Funds to not carry these as assets of the Channel Funds or to issue a qualified opinion, thus resulting in a significant overstatement of the assets of the Channel Funds.

First Horizon Holdings Ltd. (the predecessor of OUFC)

59. Shares in the capital of FHHL Holdings Limited (the predecessor of First Horizon Holdings Ltd., which is now OUFC) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of a premium of $100,000 per annum, Liberty Trust obtained an option to purchase 19.6 Class A common shares from Norshield Financial Holdings Ltd. for an exercise price of $2 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of $400,000, an option to purchase the 19.6 common shares for an amount of $59,100,370.

60. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised this option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

61. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

62. The Working Papers disclose no audit evidence to support the ownership of the investment in First Horizon Holdings Ltd. by the Channel Funds.

63. The investment was carried on the financial statements of the Channel Funds at a value of $59,100,370 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the First Horizon Holdings Ltd. shares ($59,100,370) was $57,100,370 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they apparently relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

64. The carrying value of the First Horizon Holdings Ltd. shares allegedly increased in 2003 by $33,849,000, from $59,100,370 to $92,949,370 as of September 30, 2003. The Working Papers disclose no audit evidence to support this increase in carrying value of the Channel Funds' investment in First Horizon Holdings Ltd.

65. For the purpose of valuing the First Horizon Holdings Ltd. shares, Defendants apparently relied upon documents provided by management, including:

(a) for the fiscal year ended September 30, 2002, an unsigned valuation prepared by Mount Real;

(b) for the fiscal year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

66. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

MicroSlate Inc.

67. MicroSlate Inc. shares were allegedly the subject of two sets of option agreements:

(a) Under the first set of option agreements, Liberty Trust obtained from Norshield Financial Holdings Ltd.:

(i) in exchange for the payment of an option premium of $168,000, an option to purchase 722 shares of MicroSlate Inc. for an exercise price of $5,870,000;

(ii) in exchange for the payment of an option premium of $166,000, an option to purchase 713 shares of MicroSlate Inc. for an exercise price of $5,800,000;

(iii) in exchange for the payment of an option premium of $66,000, an option to purchase 287 shares of MicroSlate Inc. for an exercise price of $2,330,000;

(b) Under the second set of option agreements, entitled "Cash Settled Equity Call Options", Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust:

(i) in exchange for the payment of an option premium of $84,000, an option to purchase 722 shares of MicroSlate Inc. for an amount of $12,720,000;

(ii) in exchange for the payment of an option premium of $83,000, an option to purchase 713 shares of MicroSlate Inc. for an amount of $12,562,000;

(iii) in exchange for the payment of an option premium of $33,000, an option to purchase 287 shares of MicroSlate Inc. for an amount of $5,056,423;

68. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised such options, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

69. In fact, these options were never exercised, the option premiums were never paid, and legal ownership of the shares was never transferred to the Channel Funds.

70. The Working Papers disclose no audit evidence to support the ownership of the investment in MicroSlate Inc. by the Channel Funds.

71. The investment was carried on the financial statements of the Channel Funds at a value of $30,338,423 for the fiscal year ended September 30, 2002. The alleged cost to the Channel Funds of acquiring the MicroSlate Inc. shares ($30,338,423) was $16,338,423 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first set of option agreements and the second set of option agreements, despite the fact that they relied upon the amounts stipulated in the second set of option agreements to support the carrying value of the investment in MicroSlate Inc. by the Channel Funds.

72. For the purpose of valuing the MicroSlate shares, Defendants relied upon valuations provided by management, including:

(a) For the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) For the year ended September 30, 2003, an unsigned valuation prepared by Spectrum, which purported to establish the total value of MicroSlate as being $27,000,000, even though the company had filed for bankruptcy protection in Canada and United States. The Working Papers reveal that Defendants required the investment to be written down from $34 million to $19 million.

73. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

74. Defendants did not disclose the fact that George Ecker, a director of the Channel Funds, was also a director of MicroSlate.

<u>Vezina Composites Inc. (the predecessor of Composite VCI Inc.)</u>

75. Shares in the capital stock of Vezina Composites Inc. (the predecessor of Composite VCI Inc.) were allegedly the subject of two option agreements, both dated October 1, 2000:

(a) under the first option agreement, in exchange for the payment of an option premium of $50,000, Liberty Trust obtained an option to purchase 148.5

Class A shares and 2,308,017 Class D shares from Norshield Financial Holdings Ltd. for an exercise price of $1 million;

(b) under the second option agreement, Tristar Fund Limited (the predecessor of Channel Fixed Income Fund Ltd.) obtained from Liberty Trust, in exchange for the payment of a premium of $50,000, an option to purchase the 148.5 Class A shares and 2,308,017 Class D shares for an amount of $2,881,946.

76. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

77. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

78. The investment was carried in the financial statements of the Channel Funds at a value of $2,881,946 for the fiscal years ended September 30, 2002 and 2003. The alleged cost to the Channel Funds of acquiring the Vezina Composites Inc. shares ($2,881,946) was $1,881,946 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

79. For the purpose of valuing the Vezina Composites Inc. shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

80. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

<u>3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners)</u>

81. The shares of 3586839 Canada Inc. / Olympus United Holdings Inc. (the predecessors of Norshield Partners) were allegedly the subject of two option agreements:

    (a) under the first option agreement, dated March 31, 2002, in exchange for the payment of an option premium of $250,000 by December 31, 2003 and $300,000 per annum thereafter, Liberty Trust obtained an option to purchase 40 Class D shares of 3586839 Canada Inc. from Norshield Financial Holdings Ltd. for an exercise price of $10 million;

    (b) under the second option agreement, dated September 30, 2002, Channel Fixed Income Fund Ltd. obtained from Liberty Trust, in exchange for the payment of an option premium of $300,000, an option to purchase the 40 Class D shares of Olympus United Holdings Inc. for an amount of $46,084,776.

82. Defendants appear to have assumed that Channel Fixed Income Fund Ltd. had exercised the option, in that the Working Papers disclose no evidence that substantive audit procedures were performed to determine the actual amount, if any, that had actually been paid by Channel Fixed Income Fund Ltd. to Liberty Trust, or the amount, if any, that had been paid by Liberty Trust to Norshield Financial Holdings Ltd.

83. Defendants apparently continued to rely upon the option agreements, even after receiving a confirmation dated January 10, 2003 to the effect that John Xanthoudakis (rather than Norshield Financial Holdings Ltd.) was the sole shareholder of Olympus United Holdings Inc.

84. In fact, these options were never exercised, the option premiums were never paid and legal ownership of the shares was never transferred to the Channel Funds.

85. The investment was carried on the financial statements of Channel Fixed Income Fund Ltd. at a value of $46,084,778. The alleged cost to the Channel Funds of acquiring the Olympus United Holdings Inc. shares ($46,084,778) was $36,084,778 higher than the cost allegedly paid by Liberty Trust for the same shares. The Working Papers disclose no evidence of Defendants having performed any audit procedures to determine the reason for the significant differential in value between the first option agreement and the second option agreement, despite the fact that they relied upon the amount stipulated in the second option agreement to support the carrying value of that asset by the Channel Funds.

86. For the purpose of valuing the Olympus United Holdings Inc. shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned one-page schedule of a valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned, draft valuation prepared by Spectrum.

87. These valuations were not prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

C) ASSETS SOLD TO RELATED PARTIES

Emerald Key Management Ltd.

88. The investment of Channel F.S. Fund Ltd. in Emerald Key Management Ltd. ("**EKM**") was carried at $40,178,350 as at September 30, 2002.

89. The Working Papers contain insufficient audit evidence to support the ownership of the investment and no audit evidence to support the carrying value of this investment.

90. The only evidence of ownership appearing in the Working Papers is a share certificate of EKM dated September 30, 2002, which stated that Channel F.S. Fund held 4,750 shares. The said share certificate was signed by Stephen Hancock, as director of EKM. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

91. For the purpose of determining the value of EKM for the fiscal year ended September 30, 2002, Defendants relied upon an unsigned valuation prepared by MRIC with respect to Emerald Key Advisors, provided by management.

92. During the fiscal year ended September 30, 2003, Channel F.S. Fund Ltd. sold its investment in EKM to BICE for $148,000,000, along with Channel F.S. Fund Ltd.'s investments in Globe-X International which had a carrying value of $3,514,671 as at September 30, 2002. The $148,000,000 receivable was recorded as an asset on the audited financial statements of Channel F.S. Fund Ltd. This transaction resulted in an immediate gain of $104,306,979, even though no part of the amount of $148,000,000 was ever collected.

93. Although this receivable was highly material to the financial statements of Channel F.S. Fund Ltd., the Working Papers contain no indication that Defendants performed any audit procedures to establish its collectibility.

94. The first payment owing by BICE, in the amount of $1,900,000, was due on January 31, 2004, one day after the date of Defendant Brooks, Di Santo's audit report. The Working Papers contain no indication that Defendants performed any audit procedures to determine whether or not the payment had been made. Had they performed such standard subsequent event procedures, they would have determined that the payment had not been made, and would have had to disclose such non-payment as a subsequent event.

95. Had Defendants obtained a copy of the unaudited balance sheet of BICE during their audit, they would have determined that BICE had insufficient liquidity to pay $148,000,000 to Channel F.S. Fund Ltd. Instead, they received the balance sheet only after Defendant Brooks, Di Santo issued the September 30, 2003 audit report.

96. The Working Papers contain insufficient appropriate audit evidence as to the relationship of BICE with Channel F.S. Fund Ltd. They provide no indication that Defendants were aware of the identity of the officers, directors, shareholders or beneficial owners of BICE, and no indication that Defendants performed any audit procedures to attempt to determine same.

97. Defendants apparently accepted the sale of EKM as a sale to an arm's length third party, based on representations made by management and without evidence in the Working Papers of any further verification, when in fact:

(a) Appendix A to the sale agreement, a resolution of Channel F.S. Fund Ltd., was signed by Stephen Hancock as a director of Channel F.S. Fund Ltd.;

(b) Appendix B to the sale agreement, a resolution of BICE, was signed by Stephen Hancock as secretary of BICE;

(c) John Sykes, the alleged principal of Spectrum, was a director of BICE;

98. On July 29, 2003, the same day as its purchase of the EKM shares from Channel F.S. Fund Ltd., BICE sold to OUBT for $225 million EKM's rights to the management and incentive fee revenue stream of OUL. The value of EKM was allegedly dependant upon the assets under management of OUL.

99. There is no disclosure in the Working Papers that Defendants ever inquired as to:

(a) the creditworthiness or financial capacity of OUBT to pay the amount of $225 million, the non-payment of which would in turn have rendered BICE unable to repay its indebtedness of $148 million to the Channel F.S. Fund Ltd.;

(b) why the sale did not take place directly between Channel F.S. Fund Ltd. and OUBT;

(c) why OUBT acquired EKM for $225 million rather than $148 million and why BICE retained the difference of $77 million.

Globe-X International Class C and D Shares

100. Channel F.S. Fund Ltd. owned Class C and D shares in Globe-X International which were carried at a value of $1,825,743 and $1,688,928 respectively, as of September 30, 2002.

101. The Working Papers disclose no audit evidence to support the carrying value of this investment.

102. The only evidence of ownership that appears in the Working Papers are share certificates of Globe-X International signed by Stephen Hancock, as director of Globe-X International. Stephen Hancock was also a director of the Channel Funds. The Channel Fund Financial Statements did not disclose this related party transaction.

103. There is no evidence in the Working Papers that Defendants ever asked for or received valuations of the Globe-X International shares held by Channel F.S. Fund.

D) ASSETS WRITTEN OFF DUE TO INVALID TITLE

104. There is no disclosure in the Working Papers that Defendants performed audit procedures to verify the ownership of material investments carried as assets of the Channel Funds, including Investsafe Limited, Harfang Investments Inc., Mosaic Composite Ltd. and C-Max. Although these investments had the effect of inflating the assets of the Channel Funds for the fiscal year 2002, they were all written off in the fiscal year 2003, due to an alleged dispute regarding the ownership thereof.

105. There is no evidence in the Working Papers that Defendants ever obtained sufficient appropriate audit evidence of the ownership of these investments prior to issuing the audit report for the September 30, 2002 audit. These assets were written-off during the following year because of an alleged dispute as to ownership.

106. Defendants should not have released the audit report for the fiscal year 2002 without obtaining sufficient appropriate audit evidence as to ownership of the investments of the Channel Funds. The resulting write-offs in the fiscal year 2003 should have been recognized as a red flag that additional audit procedures ought to have been performed.

107. There is no disclosure in the Working Papers that Defendants obtained any evidence of the alleged dispute. Defendants did not require that restated financial statements for the fiscal year 2002 be issued, and there is no disclosure in the Working Papers that they performed additional verifications as to ownership of investments for the fiscal year 2003 audit.

108. Defendants should have approached the audit of the Channel Funds for the fiscal year ended September 30, 2003 with a heightened degree of skepticism, since management failed to provide audit evidence of the assets which it represented was owned by the Channel Funds.

Investsafe Limited

109. The investment of Channel F.S. Fund Ltd. in Investsafe Limited was carried at $13,468,013 as at September 30, 2002.

110. For the fiscal year 2002 audit, the only documents appearing in the Working Papers to support the ownership and value of the Investsafe Limited investment were the following:

(a) UK Companies House 2002 Annual Return of Investsafe Limited, dated December 31, 2002 and signed by Stephen Hancock, as sole Director of Investsafe Limited. This document was received by Defendants on February 14, 2003, after the date of the auditor's report.

(b) an executive summary of a draft, preliminary valuation from MRIC.

111. There is no disclosure in the Working Papers that Defendants performed sufficient appropriate audit procedures to verify the carrying value of Investsafe Limited. They apparently accepted the MRIC valuation without performing any further audit procedures.

Harfang Investments Inc.

112. On March 31, 2002, Channel Fixed Income Fund Ltd. allegedly transferred assets having a value of $94,301,162 to Harfang Investments Inc. ("**Harfang**") in exchange for Harfang's alleged $19,298,000 interest in First Horizon Bank, Barbados Inc. and a $66.9 million equity position in Harfang.

113. The Working Papers do not disclose that Defendants performed sufficient appropriate audit procedures to audit the carrying value of the assets transferred out of Channel Fixed Income Fund Ltd. or to verify that the parties involved in this transaction were not related. The Working Papers disclose no information as to the identity of the officers, directors or beneficial shareholders of Harfang.

114. Despite the lack of documentation in the Working Papers to support the ownership and value of the investment in Harfang, Defendants completed the audit for the fiscal year 2002 and released the audit opinion.

115. The Channel Funds' investment in Harfang was carried at $66,903,817 as at September 30, 2002.

116. Defendants Working Papers disclose insufficient audit evidence to support either the ownership or the carrying value of this investment.

Mosaic Composite Ltd.

117. The Channel F.S. Fund Ltd.'s investment in Mosaic Composite Ltd. was carried at a value of $4,593,537 as at September 30, 2002.

118. The Working Papers disclose no supporting documentation as to the ownership and carrying value of this investment.

C-Max

119. The carrying value of the Channel Funds' investment in C-Max was recorded as being $80,000 as at September 30, 2002. There is disclosure in the Working Papers that Defendants ever performed audit procedures or requested any supporting documentation regarding the value or ownership thereof.

E) **OTHER ASSETS**

Mount Real Innovation Center Ltd.

120. The investment of Channel Diversified Private Equity Fund Ltd. in MRIC was carried at a value of $8,782,650 as at September 30, 2002.

121. There is no audit evidence in the Working Papers to support either the ownership or the carrying value of this investment.

122. For the purpose of valuing the MRIC investment, Defendants relied upon an unsigned, draft valuation prepared by the investee company itself (MRIC), provided by management for the year ended September 30, 2002, as well as unaudited financial statements of MRIC for the year ended December 31, 2001.

Niocan Inc.

123. The investment of Channel Diversified Private Equity Fund Ltd. in Niocan Inc. was carried at a value of $1,540,000 as at September 30, 2003.

124. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

BDP Retirement Homes Inc.

125. The Channel Funds' investment in BDP Retirement Homes Inc. was carried at a value of $1,000,000 as at September 30, 2003.

126. Defendants obtained the Deed of Assignment between Globe X Management Holdings Limited (Assignor) and Channel Fixed Income Fund Limited (Assignee) dated September 30, 2003 with respect to 1,000 Common Shares in BDP Retirement Homes Inc. The assignment was made in consideration of $1. The Working Papers disclose no audit evidence of the carrying value of $1,000,000.

AMT International Mining Corp.

127. The Channel Funds' investment in AMT International Mining Corp. ("**AMT**") was carried at a value of $1,000,000 as at September 30, 2003.

128. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

Oceanwide.com Inc.

129. The investment of Channel Technology Fund Ltd. in Oceanwide.com Inc. ("**Oceanwide**") was recorded at a carrying value of $14,735,155 as at September 30, 2002 and 2003.

130. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

131. Defendants obtained a schedule of the shareholding of Oceanwide as of April 30, 2002, which indicates that neither Channel Technology Fund Ltd. nor Channel Fixed Income Fund Ltd. are shareholders of Oceanwide.

132. For the purpose of valuing the Oceanwide shares, Defendants relied upon documents provided by management, including:

(a) for the year ended September 30, 2002, an unsigned valuation prepared by MRIC;

(b) for the year ended September 30, 2003, an unsigned valuation prepared by Spectrum.

133. These valuations have not been prepared in accordance with business valuation practice standards and their content is unsupported and does not constitute sufficient appropriate audit evidence for an auditor.

Lonald Holdings N.V. (PRB S.A.)

134. The investment of Channel Diversified Private Equity Fund Ltd. in Lonald Holdings N.V. (PRB S.A.) ("**Lonald Holdings**") was recorded at a carrying value of $3,220,990 as at September 30, 2002 and 2003.

135. The Working Papers disclose no audit evidence to support either the ownership or the carrying value of this investment.

136. Although materiality for investments of Channel Diversified Private Equity Fund Ltd. was $500,000 in 2002 and undocumented in 2003, Defendants indicated that the $3.2 million investment in Lonald Holdings, representing 33% of its total assets, was not material and the Working Papers disclose no further work in that regard. This investment was material.

137. During the fiscal year 2003 audit, Defendants were aware that the investee Lonald Holdings was undergoing financial difficulty and stated in their working papers that, "*if impaired at 50%, then asset risk is overvaluation of approximately $1.5M*". They nevertheless maintained that such amount was not material and decided not to require a write-down with respect to this investment.

V. RELIANCE ON THE CHANNEL FUND FINANCIAL STATEMENTS

138. Defendants were aware that the Norshield Group of Companies and the auditors thereof were relying on their audits of the Channel Funds. In particular, the value of the assets of the Channel Funds was utilized in establishing the net asset values of the shares of the companies making up the Norshield Group of Companies.

139. On or about February 26, 2003, Defendants provided Grant Thornton, the auditors of Mosaic, with a letter of comfort regarding the audits of the Channel Funds, indicating:

> *"We understand that you intend to rely on these audited financial statements in your audit of Mosaic Composite Limited, and we are not aware of any reason you should not do so."*

140. Defendants further provided the auditors of Mosaic with an audit summary memorandum regarding the audits of each of the Channel Funds.

VI. SPECIFIC DEROGATIONS FROM ISA

Terms of Audit Engagements (ISA 210)

141. The Working Papers do not contain an engagement letter for each of the Channel Funds as required by ISA 210.2. Instead, Defendants prepared one engagement letter for the group, for the fiscal year ended September 30, 2002,

the whole as appears from a copy of the engagement letter, communicated herewith as **Exhibit P-3**.

142. The engagement letter, Exhibit P-3, does not state that the audit will be conducted in accordance with International Standards on Auditing.

143. The Working Papers contain no engagement letter with respect to the fiscal 2003 audits of the Channel Funds.

Quality Control for Audit Work (ISA 220)

144. The Working Papers of Defendants reveal no implementation of quality control policies or procedures, either generally or in the specific context of the audit of the Channel Funds.

145. There is no indication in the Working Papers that Defendants Marini and Ragonese arranged for any other partner of Defendant Brooks, Di Santo to review the final audited financial statements.

Documentation (ISA 230)

146. Throughout the Working Papers of Defendants, there is a lack of documentation regarding the audit evidence which ought to have been obtained by Defendants.

147. The Working Papers of Defendants are not sufficiently complete and detailed to comply with the documentation standards of the profession and ISA.

148. The Working Papers of Defendants do not include:

(a) information concerning the legal and organizational structure of the Channel Funds;

(b) evidence of the planning process, including audit programs and any changes thereto;

(c) evidence of Defendants' understanding of the accounting and internal control systems;

(d) evidence of the inherent and control risk assessment and any revisions thereof;

(e) analyses of transactions and balances;

(f) analyses of significant ratios and trends;

(g) a record of the nature, timing and extent of audit procedures performed and the results of such procedures;

(h) an indication as to who performed the audit procedures and when they were performed;

(i) conclusions reached by the auditor concerning significant aspects of the audit, including how exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.

<u>Responsibility to Consider Fraud and Error (ISA 240)</u>

149. The Working Papers of Defendants disclose no indication that the risk of fraud or error was considered by Defendants.

150. In this regard, the Working Papers disclose no indication of Defendants' inquiries of management as to:

(a) management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;

(b) the accounting and internal control systems management has put in place to address such risk;

(c) management's understanding regarding the accounting and internal control systems in place to prevent and detect error;

(d) management's awareness of any known fraud that has affected the entity or suspected fraud that the entity is investigating; and

(e) management's discovery of any material errors.

151. There is no disclosure in the Working Papers that Defendants assessed inherent or control risks in the course of their audits of the Channel Funds.

152. The Working Papers of Defendants contain no summary of unadjusted misstatements.

<u>Consideration of Law and Regulations (ISA 250)</u>

153. Although Defendants were required to possess an understanding of the applicable legal and regulatory framework within which the Channel Funds operated, their Working Papers contain no documentation as to:

(a) the Bahamian legal and regulatory framework applicable to the Channel Funds and their compliance with such framework;

(b) any discussion with management regarding laws and regulations, the controls in place to ensure compliance and their knowledge of irregularities; or

(c) any audit work performed to ensure that the Channel Funds complied with applicable laws and regulations.

<u>Communication of Audit Matters with those Charged with Governance (ISA 260)</u>

154. Although required by ISA, the Working Papers of Defendants disclose no indication:

(a) of the identity of the persons charged with governance and with whom audit matters of governance are communicated;

(b) that Defendants considered and communicated audit matters of governance interest with those charged with governance of the Channel Funds;

(c) that Defendants communicated audit matters of governance interest on a timely basis or at all.

<u>Planning (ISA 300)</u>

155. The Working Papers contain no audit plan describing the expected scope and conduct of the audit.

156. The Working Papers contain no audit programs, which would set out the nature, timing and extent of planned audit procedures required to implement the overall audit plan.

<u>Audit Materiality (ISA 320)</u>

157. The basis used to calculate materiality is not documented in the Working Papers of Defendants.

<u>Risk Assessment and Internal Control (ISA 400)</u>

158. Contrary to ISA, the Working Papers of Defendants contain no documentation as to their understanding of the Channel Funds':

(a) accounting systems;

(b) internal control systems;

(c) control environment; or

(d) control procedures.

159. There is no indication in the Working Papers of Defendants that they assessed inherent risk with respect to the financial statements and account balances.

160. Similarly, there is no indication that Defendants assessed control risk with respect to assertions, each material account balance, or class of transactions.

Audit Evidence (ISA 500)

161. The purpose of an audit is to verify the representations and estimates of management with professional skepticism and not simply to accept such representations and estimates without the corroboration of sufficient appropriate audit evidence.

162. The Working Papers do not contain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base Defendant Brooks, Di Santo's audit opinions.

163. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, there is no indication in the Working Papers that Defendants ever asked to see the files of, or to talk to, any previous firm of external accountants of the Channel Funds.

164. The summary review memoranda signed by Defendants Marini and Ragonese indicate that their 2002 audit procedures included:

> *"a review of the latest audited accounts, latest interim results, review of business plans and three year forecasts, as well as ensuring that the beneficial ownership of the equity interests in question were documented as belonging to the Fund. The cost of the investments was agreed to appropriate audit evidence, and the test of fair value was made by comparing the cost to detailed business valuations provided by Channel Analytics. These valuations used standard discounted cash flow modeling to establish a range of value. We tested the assumptions used in these models and determined that they were reasonable and plausible in the circumstances. Forecasted revenues were well supported in both cases with detailed plans and/or actual growth patterns experienced."*

165. The Working Papers of Defendants for that year provide no evidence that such procedures were actually performed and do not contain many of the documents referenced, such as the latest audited financial statements, latest interim results, business plans and documents evidencing the cost of investments.

166. Furthermore, the assumptions underlying the valuations were not reasonable and plausible and the forecasted revenues were not supported with detailed business plans.

167. The summary review memoranda further indicate that *"[t]hese companies have been in business for several years and have sophisticated management teams, corporate governance and financial reporting processes in place."*

168. The Working Papers of Defendants disclose no evidence as to the history of the companies or the sophistication of their management teams, corporate governance and financial reporting processes.

169. Despite the lack of sufficient appropriate audit evidence in the Working Papers for any of its audits of the Channel Fund Financial Statements, all of Defendant Brooks, Di Santo's audit opinions were unqualified.

Audit Evidence – Additional Consideration to Specific Items (ISA 501)

170. The Working Papers disclose no indication that Defendants carried out procedures in order to become aware of any litigation and claims involving the Channel Funds, in that:

(a) they contain no documentation regarding litigation and claims; and

(b) they do not refer to any confirmation requests sent to lawyers.

171. The Working Papers of Defendants do not disclose sufficient appropriate audit evidence regarding the evaluation and ownership of long-term investments that were material to the Channel Fund Financial Statements.

External Confirmations (ISA 505)

172. The external confirmations received by Defendants to support assertions in the Channel Fund Financial Statements were from related parties, including Stephen Hancock, the owner of Cardinal International Corporation Ltd. ("**Cardinal**") and a director of the Channel Funds.

173. Such confirmations did not constitute appropriate audit evidence.

174. The Working Papers of Defendants contain no evidence that they maintained control over the confirmation process.

Initial Engagements – Opening Balances (ISA 510)

175. Although the year ended September 30, 2002 was the first year that Defendants audited the financial statements of the Channel Funds, the Working Papers disclose no audit procedures on the opening balances of the Channel Fund Financial Statements for that fiscal year. They do not disclose sufficient appropriate audit evidence that the opening balances did not contain misstatements that materially affected the financial statements.

176. Despite the lack of sufficient appropriate audit evidence in the Working Papers concerning the opening balances, Defendant Brooks, Di Santo issued unqualified audit opinions regarding the Channel Fund Financial Statements.

Analytical Procedures (ISA 520)

177. The Working Papers of Defendants reveal no indication that analytical procedures were performed at the planning and overall review stages and at the end of the audits.

Audit of Accounting Estimates (ISA 540)

178. The most important assets of the Channel Funds are the Portfolio Assets represented by accounting estimates.

179. The fair market value of those investments was derived from assumptions of the prospective financial results of the investee companies and the estimated risk of attaining such future results.

180. The Working Papers do not disclose sufficient appropriate audit evidence regarding:

   (a) the fair market values of the Portfolio Assets;

   (b) the assumptions underlying the business valuations of the Portfolio Assets.

181. The Working Papers contain no documentation as to:

   (a) the process used by management to develop the estimate of fair market value;

   (b) whether the data on which the fair market values were based is accurate, complete and relevant;

   (c) whether the data was properly analyzed and projected to form a reasonable basis for determining the reasonableness of the estimate.

182. The Working Papers reveal that Defendants failed to perform the following steps to review and test the process used by management:

   (a) evaluating the data and considering the assumptions on which the estimate was based;

   (b) testing the calculation involved in the estimate;

(c) comparing estimates made for prior periods with the results of those periods;

(d) using an independent estimate to be used for comparison purposes;

(e) considering management's approval procedures.

183. Accordingly, Defendants' evaluation of the underlying assumptions was erroneous, superficial and insufficient.

184. There is no indication in the Working Papers of Defendants that they used the work of an expert appraiser or certified business valuator.

185. The Working Papers disclose no evidence that Defendants performed a subsequent event review to confirm the projections used to estimate the fair market value of the Portfolio Assets.

186. Although Defendants were made aware of the financial difficulties of investees Lonald Holdings and Oceanwide, no adjustments were requested to be made to their fair market value by Defendants.

Related Parties (ISA 550)

187. The Working Papers of Defendants do not contain:

(a) a list of related parties, including Mosaic, Cardinal and BICE;

(b) any audit procedures to ensure that related parties were disclosed to Defendants;

(c) any indication that Defendants received information regarding related parties from management or any review by Defendants of such information;

(d) any indication that Defendants were satisfied that the disclosure of related party relationships was adequate under IAS.

188. There is no indication in the Working Papers that Defendants performed a review of the shareholder records of Channel Fixed Income Fund Ltd. or performed procedures to ensure the completeness of related party information.

189. The acquisition of the Portfolio Assets involved substantially all related-party transactions that were not properly recorded or disclosed. The Working Papers do not contain sufficient appropriate audit evidence with respect to such acquisitions.

190. There is no disclosure in the Working Papers that Defendants considered the adequacy of control procedures on the authorization and recording of related party transactions.

Subsequent Events (ISA 560)

191. The Working Papers do not disclose that Defendants performed procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the report that may require adjustments or disclosure were identified.

Going Concern (ISA 570)

192. There is no evidence in the Working Papers of Defendants that they ever considered the appropriateness of management's use of the going concern assumption in the preparation of the Channel Fund Financial Statements, in the planning and performance of audit procedures, or in evaluating the results therof.

193. In their 2003 audit of Channel Fixed Income Fund Ltd., Defendants apparently deemed it appropriate not to require a going concern note, or otherwise address the capacity of the corporation to pay two debentures totaling $97,800,000, which were presented as long-term liabilities but which had a short term maturity date of January 8, 2004.

Management Representations (ISA 580)

194. Representation letters for the fiscal year ended September 30, 2002 refer to "generally accepted accounting principles", whereas they should have referred to "International Accounting Standards".

195. Representation letters for the fiscal year ended September 30, 2003 are not tailored to the business of the Channel Funds, in that they refer to "provisions for future removal and site restoration costs".

196. Although the valuation and measurement of investments were the most important assertions of the audit of the Channel Fund Financial Statements, they are not included in the representation letters.

197. Defendants did not use the ISA form of representation letter.

198. There is no evidence in the Working Papers that Defendants obtained a signed copy of the final Channel Fund Financial Statements, which should have been signed by two directors.

Using the Work of an Expert (ISA 620)

199. The Working Papers of Defendants contain no documentation as to:

(a) the audit evidence obtained to evaluate the work performed by MRIC, Mount Real and Spectrum (the "**Valuators**");

(b) the expertise and competence of the Valuators;

(c) the good standing of the Valuators with their professional regulatory body;

(d) the experience, reputation and independence of the Valuators;

(e) any review of the terms of engagement of the Valuators;

(f) any review of the source data used by the Valuators;

(g) any review of the assumptions, methods and consistency utilized by the Valuators;

(h) any review of the fair market values obtained by the Valuators in light of Defendants' overall knowledge of the business of the Channel Funds and of the results of other audit procedures.

Defendant Brooks, Di Santo's Report on Financial Statements (ISA 700)

200. Defendant Brooks, Di Santo's audits of the Channel Fund Financial Statements were not conducted in accordance with ISAs.

201. The audits were not planned and performed to obtain reasonable assurance as to whether the Channel Fund Financial Statements were materially misstated. To the contrary, the Working Papers reveal that insufficient audit evidence was obtained by Defendants and the Channel Fund Financial Statements were materially misstated.

202. There is no indication in the Working Papers that Defendants:

(a) examined evidence to support the financial statements and disclosures;

(b) assessed the accounting principles used in the preparation of the financial statements;

(c) assessed the significant estimates made by management concerning the fair market value of the investments;

(d) evaluated the overall financial statement presentation.

203. The audits performed by Defendants do not provide a reasonable basis for the audit opinions of Defendant Brooks, Di Santo.

204. The Channel Fund Financial Statements were not prepared in accordance with IAS and do not present fairly the financial position of the Channel Funds.

205. Had Defendants complied with ISA and IAS in connection with their audits of the Channel Fund Financial Statements, Defendant Brooks, Di Santo would not have issued unqualified audit reports in connection therewith.

VII. DAMAGES

206. Defendants were aware, or ought to have been aware, that the financial statements of the Channel Funds were being used and relied upon by the auditors of Mosaic, OUL, OUBT and OUFC, as well as by retail investors in Canada for the purpose of determining the carrying value of investments and the net asset value of investment units.

207. The failure to accurately reflect the significant impairment of the carrying value of investments and accounts receivable on the financial statements of the Channel Funds for the fiscal years ended September 30, 2002 and September 30, 2003 resulted in artificially inflated asset values for the entire Norshield Group of Companies.

208. The artificially inflated asset values had the effect of enabling the Norshield Group of Companies to continue its business operations including, in particular, the solicitation of investments from new and existing clients.

209. Had Defendants respected the relevant IASs and ISAs, the impairment of the carrying value of investments and accounts receivable would have been properly reflected in the Channel Fund Financial Statements and the financial statements of the Norshield Group of Companies would have contained going concern notes or adverse opinions. It would have been apparent from such financial statements that these companies were insolvent and that the investments held by Mosaic, OUL, OUBT and OUFC were significantly impaired.

210. A substantial decrease in the reported net asset values of the Norshield Group of Companies would have resulted in substantially increased redemption requests on the part of investors and a complete cessation of additional subscriptions from existing and new investors, such that the continuing operations of the Norshield Group of Companies would, in all likelihood, have been suspended during the month of February 2003 when the fiscal 2002 audited financial statements of the Channel Funds were released.

211. All Defendants had a duty of care to the entities in the Norshield Group of Companies and to Plaintiffs and they negligently breached that duty.

212. All Defendants caused damages to Plaintiffs as a direct result of their fault, negligence, imprudence and want of care in the preparation of the audited financial statements of the Channel Funds.

213. As a direct and immediate result of the Defendants' faults, omissions and failure to conduct the audits for the fiscal years ended September 30, 2002 and September 30, 2003 in accordance with ISAs, Plaintiffs have suffered damages of at least CAD$5,000,000.

214. Defendants failed to perform the audit work in accordance with prevailing professional standards and such failure was the direct and immediate cause of damages suffered by Plaintiffs.

VIII. <u>ADDITIONAL MATTERS</u>

215. Following the appointments of the Plaintiffs as Receiver and Joint Official Liquidators, the Plaintiffs' primary focus was to identify, take possession of and/or exercise control over the assets of the numerous companies forming the Norshield Group of Companies;

216. The Plaintiffs' task in this regard was extremely complex and time-consuming, and involved obtaining accounting and supporting records of the Norshield Group of Companies, many of which were not complete or up-to-date;

217. In light of the voluminous and highly complex nature of the documents, including the Defendants' Working Papers, that the Plaintiffs obtained regarding the Norshield Group of Companies, it was only on or about August 31, 2007 that the Plaintiffs were able to complete their analysis of the conduct of the Defendants regarding their audits of the Channel Fund Financial Statements for the fiscal years ended September 30, 2002 and September 30, 2003;

218. In November 2008, the Plaintiffs made a "Motion to Authorize the Commencement of Proceedings" (the "Authorization Motion") against the Defendants before Justice Colin Campbell of the Ontario Superior Court of Justice, which the Ontario attorneys for the Defendants contested on the ground that the proposed lawsuit alleged information that the Plaintiffs had obtained during out-of-court examinations of the Defendants;

219. On November 3, 4 and 5, 2008, given their uncertainty as to when judgment would be rendered on the Authorization Motion and in order not to place undue pressure on the Court or the parties, the Ontario attorneys for the Plaintiffs and the Defendants expressly agreed, on behalf of their respective clients, that the delay for the Plaintiffs to file a lawsuit against the Defendants would be frozen or suspended ("tolled") until such time as Justice Campbell ultimately rendered judgment, as appears from copies of e-mails communicated herewith as **Exhibit P-4**;

220. On January 13, 2010, Justice Campbell rendered judgment on the Authorization Motion and authorized the Plaintiffs (subject to certain restrictions on the use of evidence obtained from the out-of-court examinations of the Defendants) to file a lawsuit against the Defendants, as appears from a copy of his "Order" communicated herewith as **Exhibit P-5;**

221. Accordingly, the three (3) year prescriptive period that is applicable to the present lawsuit was interrupted and/or suspended on November 3 or 4 or 5, 2008, and only started over and/or resumed on January 13, 2010;

222. The present Motion is well founded both in fact and in law.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

[1] **SHORTEN** the delay, if necessary, for service of the present Motion;

[2] **GRANT** the present Motion;

[3] **ORDER** Defendants Brooks, Di Santo, Peter Marini and Fred Ragonese solidarily to pay the sum of $5,000,000, plus interest at the legal rate together with the additional indemnity provided by law, to:

(a) Plaintiff RSM Richter Inc., in its capacity as Receiver of all of the assets, undertakings and properties of: Olympus United Funds Corporation and Olympus United Funds Holdings Corporation; and

(b) Plaintiffs Raymond Massi and George Clifford Culmer, in their capacity as Joint Official Liquidators of Mosaic Composite Limited (U.S.), Inc.;

[4] **THE WHOLE** with costs, including the costs of expert evidence.

Montreal, February 9, 2010

KUGLER KANDESTIN, L.L.P.
Attorneys for Plaintiffs
RSM Richter Inc. as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

NOTICE TO DEFENDANTS
(Article 119 C.C.P.)

Take notice that the Plaintiffs have filed this action or application in the office of the Superior Court of the judicial district of Montreal.

To file an answer to this action or application, you must first file an appearance, personally or by advocate, at the courthouse of Montreal located at 1 Notre-Dame Street East, Montreal, Quebec, within 10 days of service of this motion.

If you fail to file an appearance within the time limit indicated, a judgment by default may be rendered against you without further notice upon the expiry of the 10-day period.

If you file an appearance, the action or application will be presented before the court on **March 17, 2010**, at 9:00 a.m., in room 2.16 of the Montreal Courthouse. On that date, the court may exercise such powers as are necessary to ensure the orderly progress of the proceeding or the court may hear the case, unless you make a written agreement with the Plaintiffs or the Plaintiffs' advocate on a timetable for the orderly progress of the proceeding. The timetable must be filed in the office of the court.

In support of the Motion to Institute Proceedings, the Plaintiffs disclose the following Exhibits:

EXHIBIT P-1: Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2002;

EXHIBIT P-2: Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2003;

EXHIBIT P-3: Engagement letter for the fiscal year ended September 30, 2002;

EXHIBIT P-4: Exchange of e-mails between the Ontario attorneys for the Plaintiffs and Defendants on November 3, 4 and 5, 2008;

EXHIBIT P-5: Order of Justice Colin Campbell dated January 13, 2010.

These Exhibits are attached hereto.

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
N°:

S U P E R I O R   C O U R T
(Commercial Division)

RSM RICHTER INC., a legal person having its principal place of business at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in its capacity as Receiver** of all of the assets, undertakings and properties of Olympus United Funds Corporation and Olympus United Funds Holdings Corporation

-and-

RAYMOND MASSI, Chartered Accountant and Chartered Insolvency Practitioner Professional, residing and domiciled at 2 Place Alexis Nihon, 22nd Floor, Montreal, Quebec, H3Z 3C2, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

GEORGE CLIFFORD CULMER, Chartered Accountant, with the accounting firm BDO Mann Judd, residing and domiciled at 3rd Floor, Ansbacher Building, P.O. Box N-10144, Nassau, The Bahamas, **in his capacity as Joint Official Liquidator** of Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

Plaintiffs

v.

BROOKS, DI SANTO, an undeclared partnership of Peter Marini and Fred Ragonese, having its principal place of business at 6455 Jean-Talon East, Suite 700, Montréal, Quebec H1S 3E8

-and-

PETER MARINI, Chartered Accountant, residing and domiciled at 8580 Les Prévoyants Road, Montréal, Québec, H1P 2T1

-and-

FRED RAGONESE, Chartered Accountant, residing and domiciled at 1514 Lemaistre Road, Montréal, Québec, H2M 2C1

Defendants

LIST OF EXHIBITS

Exhibit P-1 Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2002;

Exhibit P-2 Audited financial statements of the Channel Funds for the fiscal year ended September 30, 2003;

Exhibit P-3 Engagement letter for the fiscal year ended September 30, 2002;

Exhibit P-4 Exchange of e-mails between the Ontario attorneys for the Plaintiffs and Defendants on November 3, 4 and 5, 2008;

Exhibit P-5 Order of Justice Colin Campbell dated January 13, 2010.

Montreal, February 9, 2010

KUGLER KANDESTIN, L.L.P.
Attorneys for Plaintiffs
RSM Richter Inc., as Receiver
Raymond Massi as Joint Official Liquidator
George Clifford Culmer as Joint Official Liquidator

SCHEDULE “H”

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "**Agreement**") is dated as of Feb. 9 ● ", 2017

AMONG:

RICHTER ADVISORY GROUP INC. (formerly known as RSM Richter Inc.), a legal person having its principal place of business at 1981 McGill College Avenue, Suite 1100, Montreal, Quebec, H3A 0G6, solely in its capacity as Receiver of the Norshield Companies (as defined below)

-and-

RAYMOND MASSI, Certified Professional Accountant, Chartered Accountant, Chartered Insolvency Practitioner Professional and Licenced Insolvency Trustee, residing and domiciled at 1981 McGill College Avenue, Suite 1100, Montreal, Quebec, H3A 0G6, solely in his capacity as Joint Official Co-Liquidator of Olympus Univest Limited and Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

GEORGE CLIFFORD CULMER, Chartered Accountant, with the accounting firm BDO, (**Formally Known as BDO Mann Judd**) residing and domiciled at Gresham House, Charlotte Street South, P.O. Box N-1014, Nassau, The Bahamas, solely in his capacity as Joint Official Co-Liquidator of Olympus Univest Limited and Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited

-and-

BROOKS, DI SANTO, an undeclared partnership of Peter Marini and Fred Ragonese, having its principal place of business at 6455 Jean-Talon East, Suite 700, Montréal, Quebec H1S 3E8 ("**Brooks, Di Santo**")

-and-

PETER MARINI, Chartered Professional Accountant, residing and domiciled at 8580 Les Prévoyants Road, Montréal, Québec, H1P 2T1 ("**Marini**")

-and-

FRED RAGONESE, Chartered Professional Accountant, residing and domiciled at 1514 Lemaistre Road, Montréal, Québec, H2M 2C1 ("**Ragonese**")

collectively, the "**Parties**"

WHEREAS:

1. 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. (now Richter Advisory Group Inc.) ("**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;

   (b) Norshield Investment Partners Holdings Ltd. / Gestion des Partenaires d'Investissement Norshield Ltée;

   (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; and

   (f) Olympus United Group Inc. / Groupe Olympus United Inc.,

   (collectively, the "**Original Respondents**").

2. Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Court dated July 14, 2005, 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.

3. Pursuant to two additional Orders of the Honourable Mr. Justice Campbell of the Ontario Court dated September 9, 2005 and October 14, 2005, Richter was also appointed as Receiver pursuant to Section 101 of the *Courts Of Justice Act*, R.S.O. 1990, c.43, 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**").

4. The Original Respondents, Norshield Capital Management and Honeybee Software are collectively referred to herein as the "**Norshield Companies**".

5. By Orders of the Supreme Court of the Commonwealth of The Bahamas (the "**Bahamas Court**") dated February 6, 2006 and January 23, 2007, Raymond Massi, a partner of Richter ("**Massi**"), and G. Clifford Culmer ("**Culmer**"), a partner of BDO Mann Judd ("**BDOMJ**"), an accounting firm located in Nassau, in the Commonwealth of The Bahamas, were respectively appointed Joint Official Co-Liquidators (together, the "**JOLs**") of Olympus Univest Limited and Mosaic Composite Limited (U.S.), Inc., formerly known as Mosaic Composite Limited ("**Mosaic**").

6. The Receiver and Massi/Culmer in their capacity as Joint Official Co-Liquidators of Mosaic issued a motion to institute proceedings in the Quebec Superior Court (Civil Division) against Brooks, Di Santo, Marini and Ragonese (collectively, the "**Defendants**") bearing court file number **500-17-056214-102** (the "**Proceeding**") pursuant to which the Receiver and the JOLs sought an order directing the Defendants to pay the sum of $5,000,000, plus interest and costs to the Receiver and Massi/Culmer in their capacity as Joint Official Co-Liquidators of Mosaic.

7. Without any admission of whatsoever nature, the Parties have agreed to settle the claims of the Receiver and the JOLs against the Defendants in connection with the Proceeding on the terms described herein.

NOW THEREFORE in consideration of the covenants and mutual promises set forth in this Agreement (including the recitals hereof) and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I – TERMS OF SETTLEMENT

1.01 Payment by the Defendants

Within forty-five (45) days of the receipt by the legal counsel for Brooks Di Santo, Marini and Ragonese of a written notice evidencing the Court Approvals (as defined below), the Defendants shall pay in trust to the Receiver's legal counsel the following amount (the "**Settlement Funds**") in immediately available funds: the sum of $700,000 in full and final satisfaction of the claims advanced by the Receiver and Massi/Culmer in their capacity as Joint Official Co-Liquidators of Mosaic under the Proceeding without deduction or set-off.

The Receiver's legal counsel shall only be authorized to remit the Settlement Funds to the Receiver on behalf of the Receiver and Massi/Culmer in their capacity as Joint Official Co-Liquidators or Mosaic upon the filing of the Notice of Settlement Out of Court (as defined below).

1.02 Discontinuance of the Proceeding

Upon issuance of the Court Approvals and within thirty (30) days from the receipt by the Receiver's legal counsel of the Settlement Funds, a Notice of Settlement Out of Court, in capital, interest and costs shall be executed by the parties, through their respective attorneys of record, and filed into the Quebec Superior Court file bearing number 500-17-056214-102 (the "**Notice of Settlement Out of Court**").

ARTICLE II – RELEASES

2.01 Release of the Defendants

Effective upon filing of the Notice of Settlement Out of Court, each of the Receiver, the JOLs, the Norshield Companies, Mosaic and Olympus Univest Limited hereby irrevocably and forever releases and discharges the Defendants, as well as their employees, shareholders, officers, directors, insurers and representatives (collectively the « **Released Defendant Parties**») from any and all Released Claims (as defined below). Subject to and effective upon the filing of the Notice of Settlement Out of Court, all Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Defendant Parties all to the fullest extent permitted by applicable law; provided that nothing herein shall waive, discharge, release, cancel or bar the right to enforce the Defendants' obligations under this Agreement.

"**Released Claims**" means any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance, costs, expenses, executions and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity, whether known or unknown, matured or unmatured, direct, indirect or derivative, arising from or in any way connected with the Proceeding. Notwithstanding the foregoing, it is hereby confirmed that any possible claims by the parties (without any admission as the existence of any such claims) with respect to the sums paid by B.D.P. Retiring Homes Inc./Maison de retraite B.D.P. Inc. and currently held in trust by Brooks, Di Santo s.e.n.c. do not in any way form part of the Released Claims and are expressly excluded from the Released Claims;

2.02 Release of the Receiver, the JOLs and others

Effective upon filing of the Notice of Settlement Out of Court, each of the Defendants hereby forever and irrevocably releases and discharges each of Raymond Massi in both his personal capacity and in his capacity as Joint Official Co-Liquidator of Olympus Univest Limited and Mosaic, George Clifford Culmer, in both his personal capacity and in his capacity as Joint Official Co-Liquidator of Olympus Univest Limited and Mosaic, the Receiver, Richter, the Norshield Companies, Mosaic, Olympus Univest Limited, BDOMJ and each of their respective representatives, officers, directors, agents, servants, employees, solicitors, partners, successors, insurers and assigns (collectively, the "**Released Receiver Parties**") from any and all Released Claims. Subject to and effective upon the filing of the Notice of Settlement Out of Court, all Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Receiver Parties, all to the fullest extent permitted by applicable law; provided that nothing herein shall waive, discharge, release, cancel or bar the right to enforce the obligations of the Receiver or the JOLs under this Agreement.

ARTICLE III – COURT APPROVAL

3.01 Court Approvals

The obligation of the Receiver and the JOLs to enter into and carry out its obligations under this Agreement is subject to the satisfaction of, or compliance with, the following conditions:

(a) the Ontario Court shall issue an order approving the terms of this Agreement and authorizing the Receiver to execute and carry out the terms hereof (the "**Ontario Approval Order**");

(b) the Bahamas Court shall issue an order approving the terms of this Agreement and authorizing the JOLs to execute and carry out the terms hereof (the "**Bahamas Approval Order**"); and

(c) all applicable appeal periods related to the Ontario Approval Order and the Bahamas Approval Order shall have expired, been waived or been otherwise dealt with to the satisfaction of the Parties, and any appeal or motion for leave to appeal in respect of the Ontario Approval Order and the Bahamas Approval Order shall have finally been disposed of with no further right of appeal or leave to appeal existing.

(collectively, the "Court Approvals")

Within sixty (60) days following the execution of the present Settlement Agreement by all Parties, the Receiver shall have the obligation to bring and to diligently pursue a motion before the Ontario Court for the Ontario Approval Order and the JOLs shall have the obligation to bring and to diligently pursue a motion before the Bahamas Court for the Bahamas Approval Order, the whole at no cost for Defendants.

ARTICLE IV– MISCELLANEOUS

4.01 Termination

This Agreement shall be null and void should the Ontario Court Approval or the Bahamas Court Approval be denied by final judgment of the Ontario Court or the Bahamas Court respectively. For greater certainty, this Agreement shall not be null and void if the Receiver has brought a motion for the Ontario Approval Order and the JOLs have brought a motion for the Bahamas Approval Order within 60 days of execution of this Agreement as required by section 3.01, but the Ontario Court or the Bahamas Court has not heard such motion or released its decision with respect to such motion within such 60 day period.

If either of the Court Approvals is denied by the first instance courts, the Receiver and/or JOLs shall have the option at their sole discretion, but not an obligation, to pursue the matter before any appellate court having jurisdiction whether by leave or otherwise, the whole at no cost to the Defendants.

4.02 Capacity of Receiver and JOLs

Each of the Defendants acknowledges and agrees that Richter is entering into and performing its obligations under this Agreement solely in its capacity as the Receiver and that Raymond Massi and George Clifford Culmer are entering into and performing their obligations under this Agreement solely in their capacity as JOLs and that Richter, Raymond Massi and George Clifford Culmer and each of their respective representatives, officers, directors, agents, servants, employees, solicitors, partners, successors and assigns shall have no personal or corporate liability of any kind whatsoever as a result of or in any way connected with this Agreement.

4.03 Benefit of Agreement

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors.

4.04 Non-Assignment

The Parties may not assign this Agreement or any of their respective rights or obligations under this Agreement.

4.05 Further Assurances

Each of the Parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use commercially reasonable efforts and take all such steps as may be reasonably within its power to implement the provisions of this Agreement.

4.06 Amendment

This Agreement may be amended only by an instrument in writing duly executed by each of the Parties hereto.

4.07 Counterparts

This Agreement may be executed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by email, PDF or other electronic format or transmission which, for all purposes, shall be deemed to be an original signature.

4.08 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein and constitutes a transaction in accordance with sections 2631 and ss. of the Civil Code of Quebec.

[*Signature pages follow*]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first written above.

RICHTER ADVISORY GROUP INC. (formerly known as RSM Richter Inc.), acting solely in its capacity as the Court-appointed Receiver of the Norshield Companies (as defined herein) and without personal or corporate liability

Per: ________________________
Name: Raymond Massi
Title: Partner

RAYMOND MASSI, acting solely in his capacity as Joint Official Co-Liquidator of Mosaic Composite Limited (U.S.) and without personal liability

Per: ________________________
Name: Raymond Massi
Title: Joint Official Co-Liquidator

RAYMOND MASSI, acting in his capacity as Joint Official Co-Liquidator of Olympus Univest Ltd. and without personal liability

Per: ________________________
Name: Raymond Massi
Title: Joint Official Co-Liquidator

GEORGE CLIFFORD CULMER, acting in his capacity as Joint Official Co-Liquidator of Mosaic Composite Limited (U.S.) and without personal liability

Per: G. C. Culmer
Name: George Clifford Culmer
Title: Joint Official Co-Liquidator

GEORGE CLIFFORD CULMER, acting in his capacity as Joint Official Co-Liquidator of Olympus Univest Ltd. and without personal liability

Per: G. C. Culmer

Name: George Clifford Culmer
Title: Joint Official Co-Liquidator

ROBINSON SHEPPARD SHAPIRO, LLP

Robinson Sheppard Shapiro

Attorneys for Richter Advisory Group Inc. in its capacity as the Court-appointed Receiver of the Norshield Companies (as defined herein) and for Raymond Massi and George Clifford Culmer in their capacity as the JOLs (as defined herein)

BROOKS, DI SANTO

Per: ______________________________
Name: PETER MARINI
Title: PARTNER
Duly authorized as he so declares

Per: ______________________________
Name:
Title:
Duly authorized as he so declares

PETER MARINI

Per: ______________________________
Name: PETER MARINI
Title: CPA, CA

FRED RAGONESE

Per: ______________________________
Name:
Title: CPA, CA

De GRANDPRÉ CHAIT, LLP

____
Attorneys for Brooks, Di Santo, Peter Marini and Fred Ragonese