

COMMONWEALTH OF THE BAHAMAS

IN THE SUPREME COURT

Commercial Division



2005/COM/bnk/00047

IN THE MATTER OF OLYMPUS UNIVEST LTD
(IN VOLUNTARY LIQUIDATION)

AND

IN THE MATTER OF THE INTERNATIONAL BUSINESS COMPANIES ACT
Chapter 309
Statute Laws of the Bahamas, 2000 Edition

AFFIDAVIT

We, GEORGE CLIFFORD CULMER, of the Eastern District of the Island of New Providence, and RAYMOND MASSI, of the City of Montreal, Province of Quebec, Canada, make Oath and say as follows: -

1. We were appointed Joint Liquidators of the above-named Olympus Uninvest Ltd. (In Voluntary Liquidation) ("OUL") by this Honorable Court on the 6th day of February, 2006.
2. By an Order of this Honourable Court made on the 6th day of February, 2006, the Joint Liquidators were required to file with the court a report in writing as to the position of and the progress made in the winding-up of OUL at intervals of three months. On the 29th day of July, 2014, the Court made a subsequent Order requiring the Joint Liquidators to file with the court a report in writing as to the position of and the progress made in the winding-up of OUL at intervals of six months.
3. Pursuant to the said Order dated 29th July, 2014, this Report has been prepared by the Official Liquidators as of the 30th day of June, 2015 and is exhibited hereto. We verily believe the contents of this Thirtieth Report to be true.
4. The said Report summarizes the progress made since the date of our last report on the 31st day of December, 2014.

SWORN to at the City of Nassau)

In the Island of New Providence)

This 20TH day of APRIL, 2016)

G. C. Culmer
George Clifford Culmer

BEFORE ME,

Patrick Ryan
NOTARY PUBLIC

SWORN to at the City of Montreal)

In the Province of Quebec)

This 14 day of April, 2016)

Raymond Massi
Raymond Massi



BEFORE ME,

Vicky Coupal
NOTARY PUBLIC

OLYMPUS UNIVEST LTD. (IN LIQUIDATION)
THIRTIETH REPORT OF THE JOINT OFFICIAL LIQUIDATORS
TO THE COURT

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(In Liquidation)
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BY HAND

Supreme Court of the Commonwealth of The Bahamas

Olympus Uninvest Ltd. (In Liquidation)
Thirtieth Report of the Joint Official Liquidators to the Court

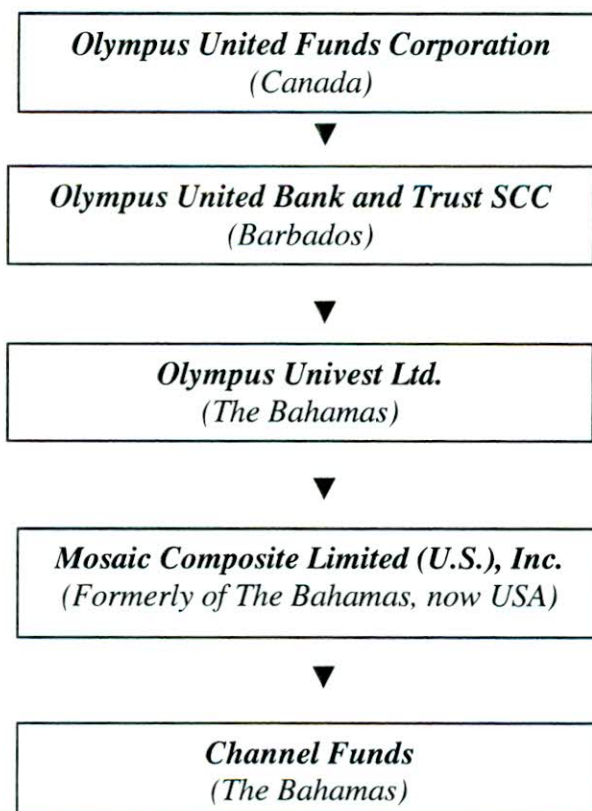
1. INTRODUCTION AND BACKGROUND

- 1.1. This report constitutes the Thirtieth Report to the Supreme Court of the Commonwealth of The Bahamas (the "Bahamian Court") of G. Clifford Culmer ("Culmer") and Raymond Massi ("Massi") in their capacity as the Joint Official Liquidators ("OUL JOLs") in the liquidation of Olympus Uninvest Ltd. ("OUL").
- 1.2. Culmer, a partner of BDO Chartered Accountants & Advisors, an accounting firm located in Nassau, in the Commonwealth of The Bahamas, was appointed Voluntary Liquidator of OUL by resolution of its common shareholder, Bice International Inc. on 19 May 2005.
- 1.3. Massi, a partner of RSM Richter Inc., (now known as Richter Advisory Group Inc.) ("Richter"), an accounting firm located in Montreal, Quebec, Canada, was appointed Provisional Liquidator of OUL on 3 October 2005 pursuant to the order of the Honorable Madam Justice Jeanne Thompson of the Bahamian Court.
- 1.4. Culmer and Massi were appointed OUL JOLs on 6 February 2006 by Order of the Honorable Madam Justice Jeanne Thompson of the Bahamian Court.
- 1.5. On 29 July 2014, the Court made a subsequent order requiring the OUL JOLs to file a report to the court in writing as to the position of and the progress made in the winding-up of OUL at intervals of six months. (all the orders rendered in the matter will hereinafter be referred to as the "Bahamian Orders")
- 1.6. Reference is made to previous reports of the OUL JOLs.
- 1.7. The OUL JOLs present herewith their Thirtieth Report in accordance with the Bahamian Orders.

2. THE NORSHIELD INVESTMENT STRUCTURE

- 2.1. OUL was part of an intricate and complex corporate and investment structure involving multiple jurisdictions and corporations which included entities in Canada, in Barbados, in The Bahamas, and other jurisdictions. This structure is referred to as the “Norshield Investment Structure”.
- 2.2. Richter, the firm with whom Massi is a partner of, was appointed Receiver, pursuant to orders of the Ontario Superior Court of Justice (Commercial List) in Canada dated 29 June, 14 July, 9 September and 14 October 2005, of the following entities:
 - 2.2.1. Norshield Asset Management (Canada) Ltd.;
 - 2.2.2. Norshield Investment Partners Holdings Ltd.;
 - 2.2.3. Olympus United Funds Corporation;
 - 2.2.4. Olympus United Funds Holding Corporation;
 - 2.2.5. Olympus United Bank and Trust SCC;
 - 2.2.6. Olympus United Group Inc.;
 - 2.2.7. Honeybee Software Technologies Inc. (formerly Norshield Investment Corporation);
 - 2.2.8. Norshield Capital Management Corporation.
- 2.3. Richter and Brian F. Griffith & Company, a Barbados accounting firm, were appointed Joint Custodians of Olympus United Bank and Trust SCC by order of the Barbados High Court of Justice dated 22 September 2005.
- 2.4. Upon the petition dated and filed on 17 March 2006 and following a hearing on the winding-up petition against Mosaic Composite Limited (U.S.), Inc. (“Mosaic”) before the Honorable Madam Justice Albury of the Bahamian Court held on 23 January 2007, the Bahamian Court issued an order that Mosaic be wound up under the provisions of Section 93 of the International Business Companies Act, 2000 and Culmer and Massi were appointed Joint Official Liquidators of Mosaic (the “Mosaic JOLs”).

2.5. The flow of funds through the Norshield Investment Structure was as follows:



- 2.6. Olympus United Funds Corporation was a mutual fund investment vehicle. Each class of shares had a specific investment strategy.
- 2.7. Investments in Olympus United Funds Corporation flowed into its wholly-owned subsidiary, Olympus United Bank and Trust SCC in Barbados, wherein the said investments were purportedly segregated into different “cells” (as constituted according to Barbados banking laws) which, more or less, matched the investment strategies of each class of shares of Olympus United Funds Corporation.
- 2.8. Olympus United Bank and Trust SCC then invested its funds into OUL in The Bahamas. Olympus United Bank and Trust SCC’s investments were co-mingled in OUL with investments received from pension funds and financial institutions, mostly from Canada, as well as other persons whose investments were made either in cash or by way of “in kind” contributions.
- 2.9. OUL then invested, either directly or through other funds, in Mosaic. Mosaic, in turn, held investments in both hedged and non-hedged assets.
- 2.10. Mosaic’s hedged assets consisted predominantly of two cash settled equity barrier call options with the Royal Bank of Canada which were consolidated into a single option on 31 March 2004 (the “RBC SOHO Option”). The RBC SOHO Option permitted Mosaic to invest in a basket of hedge funds managed by various fund managers. Furthermore, the RBC SOHO Option was highly

leveraged such that the basket of hedge funds had a gross value of approximately six times the value of Mosaic's actual investment.

- 2.11. Mosaic's non-hedged assets consisted mainly of investments in Channel Fixed Income Fund Ltd., which in turn held all the outstanding shares of Channel F.S. Fund Ltd., Channel Technology Fund Ltd. and Channel Diversified Private Equity Fund Ltd. (collectively, the "Channel Funds").
- 2.12. The OUL JOLs have discovered that the assets of Mosaic were grossly overstated and illiquid. The OUL JOLs have assessed that Mosaic's investment in the Channel Funds has no value.
- 2.13. John Xanthoudakis was an integral part of the Norshield Investment Structure. He determined investment strategies and had de facto control over the investment decision-making of the entities within the Norshield Investment Structure, including those entities located in The Bahamas as well as other foreign jurisdictions. Dale Smith was also a principal of the Norshield Investment Structure as he was an officer and/or director of various entities therein.

3. PROCEEDINGS OF THE ONTARIO SECURITIES COMMISSION AGAINST JOHN XANTHOUDAKIS, DALE SMITH AND PETER KEFALAS

- 3.1. On 11 October 2006, the Ontario Securities Commission (the "Commission") issue a statement of allegations alleging that Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., Xanthoudakis, Smith and Peter Kefalas (collectively, the "Respondents") breached Ontario securities laws and acted contrary to the public interest.
- 3.2. Hearings on the merits were held in 2008 and 2009. The Commission made the following findings:
 - 3.2.1. Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., Xanthoudakis and Smith failed to deal fairly, honestly and in good faith with investors;
 - 3.2.2. Norshield Asset Management (Canada) Ltd. and Olympus United Group Inc. failed to keep and maintain proper books and records in relation to the Norshield Investment Structure;
 - 3.2.3. As a consequence of their positions of seniority and responsibility as officers and directors of Norshield Asset Management (Canada) Ltd. and Olympus United Group Inc., Xanthoudakis and Smith authorized, permitted and acquiesced in breaches of Ontario security laws;
 - 3.2.4. Xanthoudakis and Smith knowingly made statements and provided evidence and information to staff that was materially misleading and failed to state facts which were required to be stated in an effort to hide violations of Ontario securities laws;

- 3.2.5. Xanthoudakis, Smith and Kefalas engaged in a course of conduct that was abusive to and compromised the integrity of Ontario's capital markets and was contrary to the public interest.
- 3.3. As a results of these findings, the following sanctions and costs were issued against the Respondents:
- 3.3.1. They were permanently (Kefalas for two years only) prohibited from becoming registrants under Ontario securities laws. Any exemptions that could be sought would no longer be available to them;
- 3.3.2. They were permanently (Kefalas for two years only) prohibited from trading in securities with certain exceptions for personal investments;
- 3.3.3. Xanthoudakis and Smith were personally reprimanded and were ordered to resign and prohibited from ever becoming or acting as directors or officer of any issuer. Kefalas received the same personal sanctions but limited to a two year period only;
- 3.3.4. Xanthoudakis and Smith were each ordered to pay administrative penalties totaling \$2,125,000 as well as cost totaling \$295,000, on a joint and several basis.
- 3.4. Xanthoudakis and Smith both appealed the decisions made by the Commission, which appeal was ultimately rejected.

4. CREDITORS AND SHAREHOLDERS

- 4.1. The OUL JOLs commenced a preliminary claims process by placing advertisements in newspapers in each of The Bahamas, The Cayman Islands, Canada and the U.S.A. requesting that all creditors file proofs of debt/investments in the OUL liquidation by 15 October 2008.
- 4.2. The OUL JOLs then reviewed and compared all proofs of debt/investments received to the available books and records of OUL and established detailed admit/reject procedures with the assistance of their Bahamian counsel.
- 4.3. An application by the OUL JOLs was made to the Bahamian Court by amended summons filed on 24 April 2014 to obtain approval of a claims process. This amended summons also requested the court to treat all investor claims in the OUL liquidation as creditor claims which would rank *pari passu* with any other creditor claims.
- 4.4. The Bahamian Court on August 6, 2014 approved the claims process ("Claims Process") including treating all investor claims in OUL as creditor claims and as described above, as well as prescribing the OUL JOLs to send to each claimant the written notice of their decision in respect of each proof of debt/investments. The OUL JOLs subsequently mailed the notices out to all claimants. The notices were to include i) whether each claim was admitted or rejected, ii) the reason for such decision, iii) information as to each claimant's right to appeal the OUL JOLs' decision.

- 4.5. As of June 30, 2015, the OUL JOLs have not received any formal appeals to their decisions with regard to any claimants' proofs of debt/investments.
- 4.6. As also stipulated in the Bahamian Court order of 6 August 2014, claims filed after 28 February 2014 are not entitled to participate as a claimant/creditor, vote on any matter, advance any claim either against OUL or the OUL JOLs or receive any distributions in the OUL liquidation nor to receive further notice in respect thereof.
- 4.7. Please refer to BDO's website at the following address <http://www.bdobahamas.com/publications> for further details relating to the Bahamian Court Order of August 6, 2014.

5. REALIZATIONS

- 5.1. Please refer to Richter's various reports as Receiver and Monitor for the entities listed in paragraph 2.2 above for further details at the following address: <http://www.richter.ca/en/insolvency-cases/n/norshield>.
- 5.2. As the recovery of any assets is dependent upon Mosaic's realizations, the distribution of OUL's assets to the creditors/investors will commence only once the distribution of Mosaic's assets is completed.

6. PENDING LITIGATION

- 6.1. On 6 July 2009, an ex-parte summons was issued on behalf of the OUL JOLs requesting an order that parts of judgments by the Bahamian Court on 22 November 2007 and 18 December 2008 be stayed pending the hearing of and the final determination of a civil appeal filed by the OUL JOLs seeking an order for the production of the working papers of OUL's former auditors.
- 6.2. On 8 July 2009, the Bahamian Court of Appeal dismissed the civil appeal for want of prosecution.
- 6.3. Should the ex-parte summons referred to above be heard at a later date, the OUL's former auditors intend to vigorously oppose any stay application.
- 6.4. On 6 October 2011, an affidavit in support of a summons was filed by OUL's former auditor's counsel requesting leave to submit out of time taxation of costs. This summons was adjourned.

7. CRIMINAL PROCEEDINGS AGAINST XANTHOUDAKIS AND OTHERS

- 7.1. In March 2011, criminal charges were filed in Quebec, Canada against John Xanthoudakis with respect of the approximately \$120 million of funds that were invested by Cinar Corporation, a Canadian public company, in Globe X Management Limited and Globe X Canadiana Limited ("Globe X"), two Bahamian entities, between 1998 and 2000.

- 7.2. The Quebec crown prosecutors allege that Xanthoudakis, with the assistance of another Canadian, Lino Matteo, facilitated the movement and investment of these funds in The Bahamas and then orchestrated a plan to disguise the whereabouts of the funds. The indictment includes allegations of fraud, forgery and making or circulating a false prospectus.
- 7.3. Matteo, was the principal of Mount Real Innovation Centre Ltd. which issued valuation reports in respect of the assets of the Channel Funds. As noted in the previous section, the Mosaic JOLs' investigations have led them to conclude that the values ascribed to the assets were significantly overstated and incorrectly recorded by the Channel Funds in their audited financial statements. This inaccurate and misleading financial information was relied upon by investors throughout the Norshield Investment Structure and was a necessary tool to facilitate the solicitation of both additional and increased amounts of retail investors' funds by Olympus United Funds Corporation.
- 7.4. The criminal trial against Xanthoudakis and Matteo began in May 2014 and is ongoing.

8. **RECEIPTS AND PAYMENTS**

- 8.1. A statement of Receipts and Payments for the period from 1 January 2015 through 30 June 2015 is attached hereto as Exhibit 1.

9. **CONCLUSION**

- 9.1. The recovery of any assets in OUL is dependent upon Mosaic's realization of its assets. Therefore any distributions to the OUL investors will commence once the realization and distribution of Mosaic's assets are completed.

The timing relating to the realization on Mosaic's remaining significant assets is uncertain.

Respectfully submitted this 14 day of April 2016.


_____)
G. Clifford Culmer)


_____)
Raymond Massi)



OLYMPUS UNIVEST LTD. (IN LIQUIDATION)

STATEMENT OF THE JOINT OFFICIAL LIQUIDATORS' RECEIPTS AND PAYMENTS

FOR THE PERIOD OF 01 JANUARY 2015 TO 30 JUNE 2015

(EXPRESSED IN US DOLLARS)

RECEIPTS

Interest Revenue	<u>1</u>
Total Receipts	1

PAYMENTS

Bank Charges	<u>962</u>
Total Payments	962

SURPLUS / (DEFICIT) FOR THE PERIOD (961)

Balance held at the beginning of the period	<u>6,306</u>
Balance held at the end of the period	<u>5,345</u>

Note: The repayment of funds received under the Funding Agreement is a first charge against any funds recovered.

COMMONWEALTH OF THE BAHAMAS

IN THE SUPREME COURT

Commercial Division

**IN THE MATTER OF OLYMPUS UNIVEST LTD
(In Liquidation)**

AND

**IN THE MATTER OF THE INTERNATIONAL
BUSINESS COMPANIES ACT , Chapter 309,
Statute Laws of the Bahamas, 2000 Edition (“the
Act”)**

**AFFIDAVIT OF GEORGE CLIFFORD CULMER
AND RAYMOND MASSI**

(THIRTIETH REPORT OF THE LIQUIDATORS)

2005/COM/bnk/00047


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