

COMMONWEALTH OF THE BAHAMAS **SUPREME COURT** 2005/COM/bnk/00047

IN THE SUPREME COURT

Commercial Division

DEC 15 2011

NASSAU, BAHAMAS

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

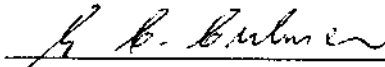
We, GEORGE CLIFFORD CULMER, of the Eastern District of the Island of New Providence, and RAYMOND MASSI, of the City of Montreal, Province of Quebec, Canada, make oath and say as follows:

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 Honorable Court made on the 6th day of February 2006, the Joint Liquidators are 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.
3. Pursuant to the said Order, this Report has been prepared by the Official Liquidators as of the 31st day of December 2010 and is exhibited hereto. We verily believe the contents of this Fourteenth Report to be true.
4. The said Report summarizes the progress made since the date of our last report on the 30th day of September 2010.

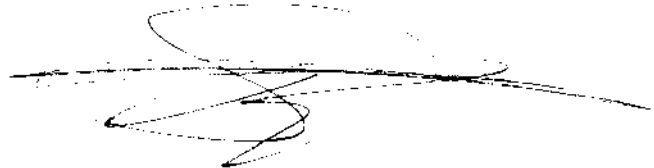
SWORN to at the City of Nassau)

In the Island of New Providence)

This 15 day of December 2011)


George Clifford Culmer

BEFORE ME,

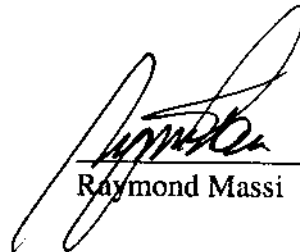


NOTARY PUBLIC

SWORN to at the City of Montreal)

In the Province of Quebec)

This 2nd day of December 2011)


Raymond Massi

BEFORE ME,





NOTARY PUBLIC

OLYMPUS UNIVEST LTD. (IN LIQUIDATION) (“OUL”)
FOURTEENTH REPORT OF THE JOINT OFFICIAL LIQUIDATORS
TO THE COURT

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OLYMPUS UNIVEST LTD.
(In Liquidation)
c/o BDO Chartered Accountant's & Advisors
P.O. Box N-10144
Nassau, Bahamas
Telephone: 1-242-325-6591 Fax: 1-242-325-6592
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BY HAND

Supreme Court of The Commonwealth of the Bahamas

Olympus Univest Ltd. (In Liquidation)
Fourteenth Report of the Joint Official Liquidators to the Court

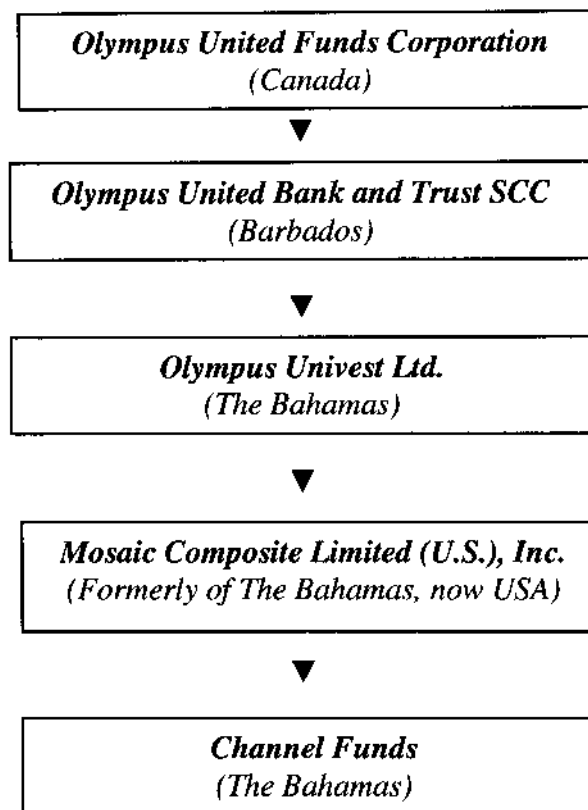
1. INTRODUCTION AND BACKGROUND

- 1.1. This report constitutes the Fourteenth 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 ("Olympus Univest JOLs") in the liquidation of Olympus Univest 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, an accounting firm located in Montreal, Quebec, Canada was appointed Provisional Liquidator of OUL on 3 October 2005 pursuant to the Order of the Honourable Madam Justice Jeanne Thompson of the Bahamian Court.
- 1.4. Culmer and Massi were appointed Olympus Univest JOLs on 6 February 2006 by Order of the Honourable Madam Justice Jeanne Thompson of the Bahamian Court.
- 1.5. Reference is made to previous Reports of the Olympus Univest JOLs.
- 1.6. The Olympus Univest JOLs present herewith their Fourteenth Report in accordance with the Bahamian Court's Order dated 6 February 2006.

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. RSM Richter Inc., 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. RSM Richter Inc. 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 Honourable 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 JOL’s”).

- 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 Olympus Univest JOLs have discovered that the assets of Mosaic were grossly overstated and illiquid. The Olympus Univest JOLs have assessed that Mosaic's investment in the Channel Funds has no value.
- 2.13. John Xanthoudakis ("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 ("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, a Notice of Hearing was issued by the Ontario Securities Commission (the "Commission") in relation to a Statement of Allegations issued by Staff of the Commission ("Staff") alleging that Norshield Asset Management (Canada) Ltd. ("NAM"), Olympus United Group Inc. ("Olympus United Group"), Xanthoudakis, Smith and Peter Kefalas ("Kefalas") (collectively, the "Respondents") breached Ontario securities laws and acted contrary to the public interest.
- 3.2. The hearing on the merits was heard over 16 days from 27 October to 11 December 2008, and on 5 and 6 May 2009.
- 3.3. The Reasons and Decisions for the hearing on the merits was issued on 8 March 2010 (the "Merits Decision"). In the Merits Decision, the panel of the Commission made the following findings:
 - 3.3.1. NAM, Olympus United Group, Xanthoudakis and Smith failed to deal fairly, honestly and in good faith with investors, contrary to subsections 2.1(1) and 2.1(2) of OSC Rule 31-505 – Conditions of Registration;
 - 3.3.2. NAM and Olympus United Group failed to keep and maintain proper books and records in relation to the Norshield Investment Structure, contrary to section 19 of the Act and section 113 of Ontario Regulation 1015 of the Act;
 - 3.3.3. As a consequence of the positions of seniority and responsibility and in their positions as officers and directors of NAM and Olympus United Group, Xanthoudakis and Smith authorized,

permitted and acquiesced in the breaches of Ontario security laws in 3.3.1 and 3.3.2 above;

- 3.3.4. 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, contrary to clause (a) of subsection 122(1) of the Act; and
 - 3.3.5. 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.
- 3.4. A hearing occurred on 20 April 2010 to consider submissions from Staff and the Respondents regarding Sanctions and Costs. The Reasons and Decisions and Orders made by the panel of the Commission were issued on 10 August 2010 and were as follows:
- 3.4.1. An Order that the registration of each of NAM, Olympus United Group and Xanthoudakis be terminated;
 - 3.4.2. An Order that each of NAM, Olympus United Group, Xanthoudakis, and Smith be permanently prohibited from becoming registered under the Act;
 - 3.4.3. An Order that each of NAM, Olympus United Group, Xanthoudakis and Smith be permanently prohibited from trading in securities, except that Xanthoudakis and Smith may trade in securities for the account of their registered retirement savings plans and/or registered retirement income funds (as defined in the Income Tax Act (Canada)) in which they and/or their spouses have sole legal and beneficial ownership, provided that, as the Order applies to each of them as individuals, (i) the securities traded are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange, or NASDAQ (or their successor exchanges) or are issued by a mutual fund which is a reporting issuer, (ii) he does not own legally or beneficially (in aggregate, together with his spouse) more than one (1) % of the outstanding securities of the class or series of the class in question; and (iii) he carries out any permitted trading through a registered dealer (which dealer must be given a copy of this order) and through accounts opened in his name only;
 - 3.4.4. An Order that exemptions contained in Ontario Securities Laws do not apply to each of NAM, Olympus United Group, Xanthoudakis and Smith permanently;
 - 3.4.5. An Order reprimanding each of Xanthoudakis and Smith;
 - 3.4.6. An Order that each of Xanthoudakis and Smith resign all positions held as a Director or Officer of an issuer;

- 3.4.7. An Order that each of Xanthoudakis and Smith be prohibited permanently from becoming or acting as a Director or Officer of any issuer;
- 3.4.8. An Order that Kefalas be prohibited from becoming registered under the Act for Two (2) years;
- 3.4.9. An Order that a term and condition of close supervision be imposed on Kefalas' registration for a period of Two (2) years if he should seek to become registered after the prohibition period referred to above;
- 3.4.10. An Order that Kefalas be prohibited from becoming or acting as a Director or Officer of a registrant for a period of two years;
- 3.4.11. An Order that Xanthoudakis and Smith each pay the following administrative penalties: (a) \$1,000,000.00 (One Million dollars) in respect of their breaches of section 2.1 of Rule 31-505; (b) \$1,000,000.00 (One Million dollars) in respect of their breaches of section 19 of the Act and section 113 of Regulation 1015; and (c) \$125,000.00 (One Hundred and Twenty-Five Thousand dollars) for misleading Staff, contrary to subsection 122(1)(a) of the Act; and
- 3.4.12. Xanthoudakis and Smith shall pay costs of the proceedings in the amount of \$295,000.00 (Two Hundred and Ninety-Five Thousand dollars), on a joint and several basis.

4. CREDITORS AND SHAREHOLDERS

- 4.1. The Olympus Univest JOLs have commenced a claims process in The Bahamas with respect to OUL. The Olympus Univest JOLs placed advertisements in newspapers having national circulation in each of The Bahamas, The Cayman Islands, Canada, and The United States requesting that all creditors file proofs of claim in the liquidation by 15 October 2008.
- 4.2. The Olympus Univest JOLs are reviewing the proofs of claim filed in the liquidation of OUL. A formalized detailed admit/reject procedure has been developed between the Olympus Univest JOLs and their counsel where each of the claims filed were carefully examined and assessed. Once this process is complete, the Olympus Univest JOLs will formally notify all claimants.

5. REALIZATIONS

- 5.1. Please refer to RSM Richter Inc.'s Thirteenth Receiver Report dated 17 December 2009 for details. This report is available at the following address: www.rsmrichter.com/Restructuration/Norshield.aspx
- 5.2. As the recovery of any assets appears to be dependent upon Mosaic's realizations, the distribution of OUL's assets to the investors will commence once the distribution of Mosaic's assets is completed.

6. LITIGATION

- 6.1. On 06 July 2009, An Ex-Parte Summons was issued on behalf of the Olympus Uninvest JOLs for an Order that part of the Judgment of 22 November 2007 and 18 December 2008 be stayed pending the hearing of a final determination of the Civil Appeal whereby the Olympus Uninvest JOLs made applications and were seeking an Order for the production of the working papers of the company's auditors.
- 6.2. On 08 July 2009, the Court of Appeal of The Commonwealth of The Bahamas dismissed the civil appeal action for want of prosecution.
- 6.3. Should the Ex-Parte Summons be heard at a later date, Deloitte's Bahamas intends to vigorously oppose any stay application.

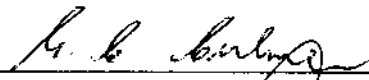
7. RECEIPTS AND PAYMENTS

- 7.1. A statement of Receipts and Payments for the period from 1 October 2010 through 31 December 2010 is attached hereto as Exhibit 1.

8. CONCLUSION

- 8.1. As the recovery of any assets appears to be dependent upon Mosaic's realizations, the distribution of OUL's assets back to the investors will commence once the distribution of Mosaic's assets is completed.

Respectfully submitted this 2nd day of December 2011



G C Culmer)



R. Massi)

OLYMPUS UNIVEST LTD. (IN LIQUIDATION)**STATEMENT OF THE JOINT OFFICIAL LIQUIDATORS' RECEIPTS AND PAYMENTS****FOR THE PERIOD OF 1 OCTOBER 2010 TO 31 DECEMBER 2010****(EXPRESSED IN US DOLLARS)****RECEIPTS**

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

PAYMENTS

Expenses of Liquidation:-	<u>0</u>
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SURPLUS / (DEFICIT) FOR THE PERIOD	1
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Balance held at the beginning of the period	<u>24,827</u>
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Balance held at the end of the period	<u>24,828</u>
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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

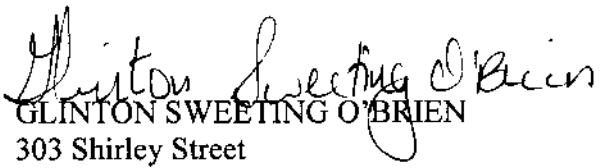
BUSINESS COMPANIES ACT , Chapter 309,

**Statute Laws of the Bahamas, 2000 Edition ("the
Act")**

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

(FOURTEENTH REPORT OF THE LIQUIDATORS)

2005/COM/bnk/00047


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