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Portus Co-Founder to Cooperate With Canadian Securities Probe

April 27 (Bloomberg) -- Boaz Manor, co-founder of hedge fund Portus Alternative Asset Management, agreed to speak with the Canadian unit of accounting firm KPMG LLP, which is investigating possible fraud at the fund, a lawyer said.

KPMG, the world's fourth-biggest accounting firm, was appointed the fund's receiver by the Ontario Superior Court at the request of the Ontario Securities Commission. The OSC sued Portus over questionable transactions and seized all of its assets last month.

The offer by Manor, now in Israel, was included in a letter from an Israeli law firm to the accounting firm, KPMG lawyer John Finnigan said. Portus was sued by the OSC for selling investments in violation of provincial laws governing hedge funds.

"We hope to be able to work out the logistics," Finnigan said, adding that Manor agreed to pay investigators' travel expenses. "I expect we will take him up on it."

The fund's liabilities exceeded assets by more than C\$400 million, according to a preliminary analysis filed by KPMG in Ontario Superior Court, including C\$238 million in the offshore transfers.

The hedge fund, whose customers invested C\$717 million (\$574 million), spent C\$87.6 million of the hedge fund's assets on commissions, referral fees and other expenses, investor lawyer Greg Monforton said.

Manor is the only person with knowledge of how the offshore transfers and accounts worked, Finnigan said. Manor hasn't agreed to testify under oath, he said.

Fastest Growing Hedge Fund

Manor couldn't be reached for comment. Portus's Canadian offices are closed.

Portus was founded by Manor and Michael Mendelson three years ago, becoming one of the fastest-growing hedge funds in Canada. Manor fled to Israel from Toronto at the start of the OSC investigation.

KPMG Senior Vice President Robert Rusco declined to comment on the investigation.

Ontario Superior Court Judge Colin Campbell ordered Paul Ho, a former member of Portus's international sales team, to cooperate with the KPMG inquiry. Ho had previously refused, saying he was ordered by Portus management not to cooperate, Finnigan said.

Campbell also approved the creation of a hardship committee to review requests from investors who say they relied on regular payments from Portus.

KPMG said it will pay up to 10 percent of investors' initial investment out of a C\$10 million fund approved by the court if they can prove they need the money for living expenses.

The case is: Ontario Securities Commission v. Portus Alternative Asset Management, 05-CL-5792, Ontario Superior Court, Toronto.

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Last Updated: April 27, 2005 15:30 EDT

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