

Court File No. 31-OR-207257-T

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)

**IN THE MATTER OF THE CONSOLIDATED  
BANKRUPTCY OF PORTUS ALTERNATIVE ASSET  
MANAGEMENT INC. AND PORTUS ASSET  
MANAGEMENT INC.**, both corporations incorporated  
pursuant to the *Business Corporations Act* (Ontario) with its  
principal place of business in the City of Toronto, in the  
Province of Ontario, bankrupts

Report of the Independent Counsel regarding  
Fees and Costs in the bankruptcy of PAAM and PAM

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**REPORT #B2: Fee Period: April 2007 – March 31, 2008**



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ONTARIO  
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**IN THE MATTER OF THE CONSOLIDATED BANKRUPTCY OF PORTUS ALTERNATIVE ASSET MANAGEMENT INC. AND PORTUS ASSET MANAGEMENT INC.**, both corporations incorporated pursuant to the *Business Corporations Act* (Ontario) with its principal place of business in the City of Toronto, in the Province of Ontario, bankrupts

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**REPORT #B2:**

**Fee Period: April 2007 – March 31, 2008**

- A. **Report of Independent Counsel (“Cost Counsel”)  
Re: Fees and Costs**
1. Independent counsel was appointed pursuant to an Order of Mr. Justice C. Campbell dated January 23, 2006 (the “Order”), to review the fees and disbursements of the Receiver, its counsel and representative counsel appointed by this Court. The Bankruptcy of PAAM and PAM subsequently occurred. This report deals with the fees and disbursements in the Estate of PAAM and PAM following their respective bankruptcies and is considered to be subsumed within the general order of the Court noted above.
  2. Paragraph 8 of the Order requires the Cost Counsel to consider whether the Professional Fees are fair and reasonable and whether they ought to be assessed and allowed as filed and in doing so to consider, among other things.
    - (a) the number of investors;
    - (b) the nature of their investments - directly or through RRSPs and/or RRIFs;

- (c) the amounts invested;
  - (d) the complexity of the investment structures as described to the investors;
  - (e) the deficiencies in the investment structures as actually implemented by the Portus Group;
  - (f) the complexity of the flows of funds through the myriad of bank accounts maintained in numerous jurisdictions around the world;
  - (g) the commingling of funds and assets which ought to have been kept separate and apart;
  - (h) the destruction of the books and records of the Portus Group;
  - (i) the refusal of Mr. Boaz Manor to cooperate with the Receiver;
  - (j) the efforts of Manor to misappropriate funds received by the Portus Group from investors both prior and subsequent to the appointment of the Receiver;
  - (k) the efforts of the Receiver to enforce orders of this Honourable Court in jurisdictions around the world where the Portus group had transferred funds and/or assets acquired with funds received from investors;
  - (l) tax issues;
  - (m) issues with respect to the promissory notes purchased from Societe Generale (Canada);
  - (n) the efforts of the Receiver to enforce orders of the Courts in other jurisdictions around the world where funds and/or assets acquired with funds received from investors were located; and
  - (o) the overall complexity of the receivership.
3. In addition to these criteria, Cost Counsel has also considered the provisions of the Bankruptcy and Insolvency Act vis. trustee and other costs, Rule 58.06 of the Rules of Civil Procedure, the reports of the Trustee during the relevant period, the various retainer letters and other agreements regarding fees of the parties involved and amendments thereto in connection with the initial retainers in the overall matter and has made such inquiries as appeared necessary.

4. For the period April, 2007 to March, 2008, Cost Counsel was provided with those accounts referred to in *Schedule A* attached hereto.
5. PAAM was declared bankrupt on March 24, 2006. A first meeting of creditors occurred on June 21, 2006 and KPMG was confirmed as Trustee of the PAAM Estate and 5 inspectors appointed. On May 18, 2007, PAM was declared bankrupt and the Estates of PAAM and PAM were consolidated both procedurally and substantively (see Consolidated Bankruptcy Order). The Consolidated Bankruptcy Order provides for KPMG and the 5 inspectors of the PAAM Estate to also fulfill the same positions in the PAM Estate. The consolidated estates are being dealt with under Part XII of the Bankruptcy and Insolvency Act.
6. The R&D statement of the Receiver/Trustee indicates receipts into the Trustee's account of slightly over \$130 million dollars during the period 2006 to March 2008. Approximately \$7 million was disbursed for professional fees including trustee fees. \$117 million was allocated to investors leaving approximately \$6 million in undistributed receipts.

**B. Synopsis of Work for the Period and Comments**

7. Very briefly, the period April 2007 to end of March 2008 in connection with the bankruptcy of PAAM and PAM involved work on a wide variety of matters dealing principally with the administration of claims, determination of customer pool and relevant payouts. This included,

- (i) Inspectors meetings;
- (ii) Estate administration including dealing with the SocGen notes, Northwater Consulting, tax issues, T4RRSP's, T4RIF's, privilege issues, RCMP inquiries,

Superintendent of Bankruptcy issues including levy, hardship allocations and their treatment and various matters too numerous to mention. ;

- (iii) Determination of “net equity” and relevant court orders;
  - (iv) Court proceedings re interim payments out of the customer pool fund (“allocations”);
  - (v) Potential claims by the Estate against others;
  - (vi) Continuing delivery of information materials to investors and claimants and preparation of Trustee’s Letters; media relations; calls for claims and administration;
  - (vii) Determination of net equity for payouts and completion of initial payout (October 2007);
  - (viii) Third party assignment issues; and,
  - (ix) Litigation issues.
8. Legal counsel were frequently involved in various aspects of the bankruptcies including court proceedings, taxation issues, releases, inspector’s meetings, privilege issues and so on.
9. During the period in question rate increases were noted. ThorntonGroutFinnigan’s rates for senior counsel (Grout, Finnigan) were increased in July 2007 from \$550 per hour to \$600 per hour. It is noted that increases normally occurred in January of the year but no increases from 2006 were noted at that time. In January of 2008, the rates again increased to \$625 per hour. Associated firm members rates increased similarly.

10. Fee increases were also noted for McCarthy Tétrault in the last report on the Estate fees and disbursements. These rates continued through the period in question. From discussions with KPMG, McCarthy's tax counsel in Ottawa provided considerable assistance with respect to the obtaining of certain tax rulings. Tax counsel's rate seems high but the attendant value to the estate was considerable and the number of hours low. No adjustment is merited.
11. Legal accounts have been reviewed also by KPMG and have been approved by the Inspectors.

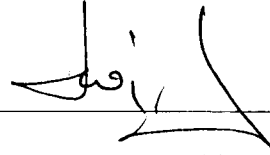
C. **Costs Meriting Consideration**

- (i) There are no costs in this Period vis the bankruptcy that require particular consideration by the Court in Cost Counsel's opinion.

D. **Summary and Conclusion**

12. Cost counsel has conducted the review mandated by this Court and considers that for the Period the services indicated in the accounts were requested and rendered and that, in the circumstances of this case, the fees and expenses charged are fair and reasonable and ought to be assessed and allowed as amended and filed.

Dated: June 23, 2008

A handwritten signature in black ink, appearing to read "J. Wigley", is positioned above a horizontal line.

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Schedule A – List of Accounts (April, 2007 to March, 2008)

	April	May	June	July	August	September	October	November	December	January	February	March
1. KPMG	Date: 01/31/08 Inv. No. C42984765 [This covers the period from April 1, 2007 to June 30, 2007]	Date: 01/31/08 Inv. No. C42984778 [This covers the period from July 1, 2007 to September 30, 2007]	Date: 07/31/07 Inv. No. 18070 [For the period ending June 30, 2007]	Date: 08/30/07 Inv. No. 18180 [For the period ending July 31, 2007]	Date: 09/21/07 Inv. No. 18259 [For the period ending August 31, 2007]	Date: 10/29/07 Inv. No. 18408 [For the period ending September 30, 2007]	Date: 11/27/07 Inv. No. 18538 [For the period ending October 31, 2007]	Date: 12/19/07 Inv. No. 18640 [For the period ending November 30, 2007]	Date: 02/04/08 Inv. No. 18782 [For the period ending December 31, 2007]	Date: 03/04/08 Inv. No. 18890 [For the period ending January 31, 2008]	Date: 04/30/08 Inv. No. 19142 [For the period ending March 31, 2008]	
2. ThorntonGrout Finnigan LLP	Date: 05/31/07 Inv. No. 17832 [For the period ending April 30, 2007]	Date: 06/19/07 Inv. No. 17940 [For the period ending May 31, 2007]	Date: 07/31/07 Inv. No. 18070 [For the period ending June 30, 2007]	Date: 08/30/07 Inv. No. 18180 [For the period ending July 31, 2007]	Date: 09/21/07 Inv. No. 18259 [For the period ending August 31, 2007]	Date: 10/29/07 Inv. No. 18408 [For the period ending September 30, 2007]	Date: 11/27/07 Inv. No. 18538 [For the period ending October 31, 2007]	Date: 12/19/07 Inv. No. 18640 [For the period ending November 30, 2007]	Date: 02/04/08 Inv. No. 18782 [For the period ending December 31, 2007]	Date: 03/04/08 Inv. No. 18890 [For the period ending January 31, 2008]	Date: 04/30/08 Inv. No. 19142 [For the period ending March 31, 2008]	
3. McCarthy Terraault LLP	Date: 05/31/07 Inv. No. 2153360 [For the period April 3, 2007 to April 30, 2007]	Date: 06/27/07 Inv. No. 2159827 [For the period May 1, 2007 to May 31, 2007]	Date: 08/31/07 Inv. No. 2177725 [For the period June 5, 2007 to July 31, 2007]	Date: 09/13/07 Inv. No. 2180054 [For the period Aug 3, 2007 to Aug 31, 2007]	Date: 10/25/07 Inv. No. 2191211 [For the period Sept 11, 2007 to Sept 30, 2007]	Date: 12/10/07 Inv. No. 2201663 [For the period October 2, 2007 to November 30, 2007]	Date: 12/31/07 Inv. No. 2209103 [For the period Dec 5, 2007 to Dec 17, 2007]	Date: 03/31/08 Inv. No. 2229793 [For the period December 3, 2007 to February 29, 2008]				

In addition, account amendment information in the form of correspondence and associated Excel spreadsheets (disk) have been considered.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
PROCEEDING COMMENCED AT  
TORONTO, ONTARIO

**REPORT #7**  
(Receiver)

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