

Court File No.05-CL-5792

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

-and-

**PORTUS ALTERNATIVE ASSET MANAGEMENT INC.,
PORTUS ASSET MANAGEMENT INC. AND BANCNOTE
CORP.**

Respondents

Supplementary Report of the Independent Counsel regarding
Fees and Costs in the Bankruptcy and Receivership of PAAM and PAM
Re: Projected Fees, October 2009 to final

SUPPLEMENTARY REPORT

Fee Period: October, 2009 to Final

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Independent Costs Counsel

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SUPERIOR COURT OF JUSTICE
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Applicant

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**PORTUS ALTERNATIVE ASSET MANAGEMENT INC.,
PORTUS ASSET MANAGEMENT INC. AND BANCNOTE CORP.**

Respondents

SUPPLEMENTARY REPORT OF THE INDEPENDENT COUNSEL REGARDING
FEES AND COSTS IN THE BANKRUPTCY AND RECEIVERSHIP OF PAAM AND PAM
RE: PROJECTED FEES, OCTOBER 2009 TO FINAL

SUPPLEMENTARY REPORT

Fee Period: OCTOBER 2009 TO FINAL

- A. **Report of Independent Counsel (“Cost Counsel”)
Re: Receiver and Trustee Estimated Fees and Costs October 1, 2009 to Completion**
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.
 2. This report deals with the anticipated and projected fees of the Receiver and of the Trustee and anticipated legal fees from October 1, 2009 forward to completion. This has been made necessary by the anticipated final payouts by the Receiver/Trustee to the investors and the need to calculate a holdback amount

3. In the event that expenses run beyond the holdback, it is understood that this will be accommodated by a reduction in the Receiver/Trustee fees.

4. For the period October forward, Cost Counsel was provided with

- (a) A monthly budget schedule to completion projected out for one year;
- (b) A consolidated R&D projected forward;

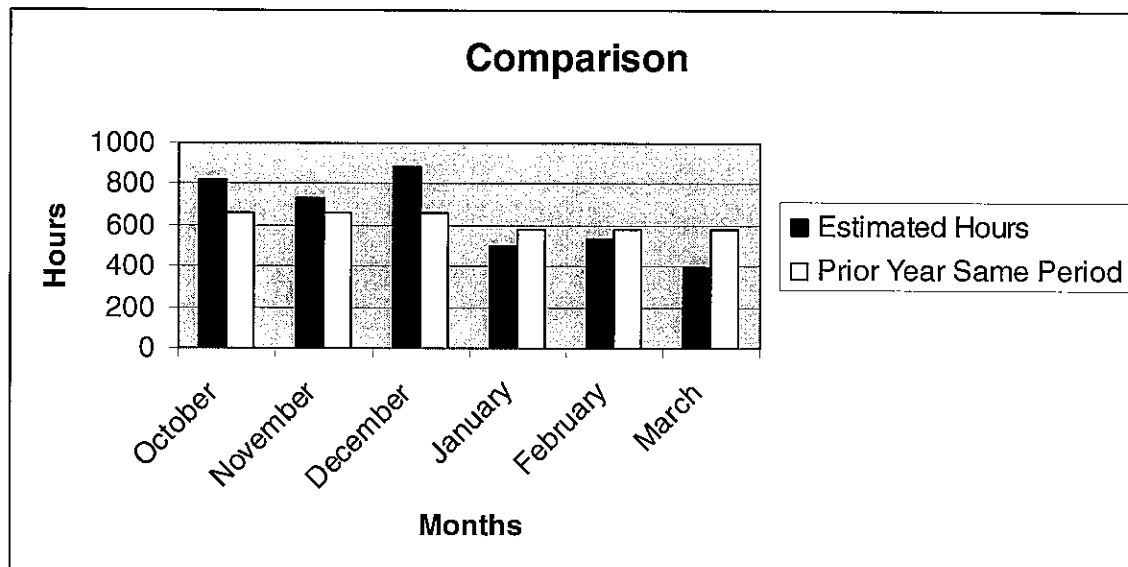
5. The CD included with Report # 11 to this court dealing with Fees and Costs of the Receiver to September 30, 2009 contains the above documents in an appropriate folder.

6. During the period to October 2010, there is a rate increase projected for the Receiver/Trustee. Over the past years this has typically taken place during October. Increases for this October are in the range of \$32 to \$11 per hour. These increased rates were used in the projections. They reflect the agreed upon retainers and discounts. Rate increases for other professionals are not specifically referred to.

7. It is anticipated that the work to be done by the Receiver/Trustee over the next year will be mostly administrative in scope. As well certain months tend to be heavier than others; for example, at and following the completion of the next allocation and in the early part of 2010 due to tax and other reporting requirements.

8. The hours for the Receiver/Trustee projected by month for the period October to December 2009 are slightly above the average for the same period for 2008 and 2009. This is not surprising given the organization for the next allocation, these projections and estate finalization issues. The hours for the period after from January to March of 2010 are below the average for the

same period in 2009. None of this is terribly conclusive of course because there is different work in the different periods but it does give a small measure of reasonableness to the projections.



9. Time projected for the months following March 2010 for the Receiver/Trustee averages 249 hours/month which seems reasonable given the usual work in which the Receiver/Trustee is involved. The Receiver/Trustee has included time in June to deal with criminal matters. As can be expected this tends to increase the number of hours anticipated for that month.

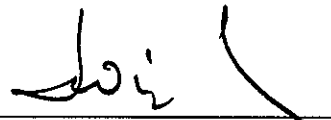
10. The anticipated legal fees are harder to predict. The Receiver/Trustee has had input in estimating fees from the domestic law firms involved but not from those overseas. For the period of the 1 year commencing October 1, 2009, the total anticipated legal expense across 7 law firms (including this author's) is approximately \$595,000. This number appears to be reasonable given the number of pieces of litigation extant and the resolution of those within the year. The breakdown in fees among the respective firms appears reasonable given the estimated work that they need to do.

B. Summary and Conclusion

11. Cost Counsel has reviewed the proposed budget for completion prepared by the Receiver/Trustee. It would appear to be reasonable in the circumstances and can reasonably be approved by the Court as the basis on which to proceed with the winding up of the estate within the next year.

12. It is also understood that the budget has been explained to and considered by the inspectors in the estate and approved by them.

Dated: December 1, 2009



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PORTUS ALTERNATIVE ASSET MANAGEMENT INC. et al
Respondents

Court File No. 05-CL-5792

ONTARIO
SUPERIOR COURT OF JUSTICE
(Bankruptcy)
PROCEEDING COMMENCED AT
TORONTO, ONTARIO

SUPPLEMENTARY REPORT
FEES AND COSTS TO COMPLETION

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