

**KPMG INC., IN ITS CAPACITY AS TRUSTEE OF
THE CONSOLIDATED ESTATE OF
PORTUS ALTERNATIVE ASSET MANAGEMENT INC. AND
PORTUS ASSET MANAGEMENT INC., bankrupts**

SPECIAL REPORTING LETTER

NOVEMBER 24, 2008

Notice

The Trustee cannot give legal or investment advice to Portus Customers¹. The Trustee recommends that Portus Customers consult with their own advisors regarding the information contained herein.

I. Purpose of this Special Reporting Letter

The purpose of this letter is to: (1) advise you that KPMG Inc., in its capacity as the Trustee (the “Trustee”) of the Consolidated Estate of Portus Alternative Asset Management Inc. and Portus Alternative Asset Management Inc., (the “Consolidated Estate”) has entered into a settlement agreement with Société Générale (Canada) (“SGC”) (the “Trustee Settlement Agreement”) with respect to the principal-protected notes issued by SGC to certain members of the Portus Group² (the “Notes”) (2) provide you with information regarding the Trustee Settlement Agreement, including its key terms and conditions and (3) provide you with other relevant information. As previously reported, the Notes are the primary assets currently being held by the Receiver of the Portus Group.

Among other things and of particular significance is that the Trustee Settlement Agreement provides that SGC is to pay to the Trustee the principal amount of the Notes in advance of their maturity dates. The Trustee Settlement Agreement has been discussed with the Inspectors and has received their unanimous approval.

The Trustee entered into the Trustee Settlement Agreement because it is in the best interests of the Consolidated Estate.

II. The Notes

The Twenty-Seventh Court Report of the Receiver³ dated April 14, 2008 (the “27th Court Report”) provided an update on the status of the Notes and on the Receiver’s negotiations with SGC for the possible sale of the Notes to an affiliate of SGC prior to their maturity.

As previously reported, SGC issued fifteen Notes to various members of the Portus Group with a total principal amount of \$611,089,000. The amount payable for each Note at maturity is the greater of (i) the principal amount of the Note and (ii) an amount generated by the formula in the Note that is dependent upon the performance of the Portus Alternative Investment Master Fund. The payment at maturity is guaranteed by Société Générale, the parent of SGC.

Two of the fifteen Notes matured on September 30, 2008. The first Note with a principal amount of \$50 million matured at \$56,634,000. The second Note with a principal amount of \$26,960,000 matured at \$26,960,000. Aggregate maturity proceeds of \$83,594,000 (the “First Maturity Amount”) have therefore been received to date from SGC. The following thirteen Notes remain outstanding at this time, the majority of which mature next year:

¹ This letter will refer to Portus Investors as Portus Customers, consistent with the wording of the *Bankruptcy and Insolvency Act*.

² The Portus Group includes Portus Alternative Asset Management Inc., Portus Asset Management Inc., BancNote Corp., Market Neutral Preservation Fund, Southview Asset Management Inc., Southview Capital Corp., MNB Trust, BancNote Trust Series II, BancNote Trust Series III, BancNote Trust Series IV, BancNote Trust Series V, BancNote Trust Series VI, BancNote Trust Series VI(a), BancNote Trust Series VIII, BancNote Trust Series VIII(a), BancNote Trust Series X, BancNote Trust Series X(a), BancNote Trust Series XII, BancNote Trust Series XII(a), BancLife Trust Series I, BancLife Trust Series II, Premiers Derives Paris Inc., BNote Management Inc., AR Pioneer Fund, PDP Prudent Growth Management Inc., PDP Prudent Growth Fund, Ltd., PDP Trust, BNote Ltd., Eidolon Inc./S.A., Galway Trust S.A., Preservation Fund Series I, Preservation Fund Series II and Portus Alternative Asset Management Inc. (BVI).

³ Receiver refers to KPMG Inc., in its capacity as the Court-Appointed Receiver of the Portus Group pursuant to the Amended and Restated Initial Order of the Ontario Court of Justice dated June 23, 2005.

SGC Note	Purchase Price	Principal-Protected Amount (at Maturity)	Maturity Date	Total Aggregate Principal By Maturity Date
1	\$32,992,300	\$37,070,000	December 15, 2008	
2	\$11,177,510	\$12,559,000	December 15, 2008	\$49,629,000
3	\$81,495,800	\$95,200,000	April 30, 2009	
4	\$18,438,000	\$21,000,000	April 30, 2009	
5	\$40,992,000	\$48,000,000	April 30, 2009	
6	\$6,321,600	\$ 7,200,000	April 30, 2009	\$171,400,000
7	\$62,707,000	\$73,000,000	August 31, 2009	
8	\$40,036,500	\$46,500,000	August 31, 2009	
9	\$23,193,000	\$27,000,000	August 31, 2009	
10	\$14,981,400	\$17,400,000	August 31, 2009	\$163,900,000
11	\$81,978,750	\$94,500,000	December 31, 2009	
12	\$35,133,750	\$40,500,000	December 31, 2009	\$135,000,000
13	\$11,395,500	\$14,200,000	December 31, 2011	\$14,200,000
Total	\$460,843,110	\$534,129,000		\$534,129,000

As shown in the table above, the next two Notes mature on December 15, 2008. SGC has advised that it will pay to the Trustee the amounts due at maturity for these two Notes (the “Second Maturity Amount”).

The Trustee intends to make a further allocation to Portus Customers prior to December 31, 2008 from cash currently on hand and from the amounts to be received from SGC on December 15, 2008.

III. Key Terms and Conditions of the Trustee Settlement Agreement and Other Relevant Information

In its 27th Court Report, the Receiver indicated that in March 2007, Manulife Securities International Ltd., now Manulife Securities Investment Services Inc., (“Manulife”) announced it was proceeding with a class action against SGC and certain of its affiliates (the “SG Group”). In the class action, various claims are made against the SG Group on behalf of all Portus Customers as set out in the Statement of Claim. **It is important to note that the Receiver and the Trustee are not parties to this proceeding.**

While the Trustee and the Receiver are not parties to the class action proceeding, the Trustee Settlement Agreement is conditional upon the completion of a settlement agreement between Manulife and the SG Group under the *Ontario Class Proceedings Act* (the “Class Action Settlement Agreement”). The Class Action Settlement Agreement is also similarly conditional upon the completion of the Trustee Settlement Agreement. The Trustee entered into the Trustee Settlement Agreement as part of an overall settlement that includes the parties in the class action proceedings.

The Class Action Settlement Agreement is subject to Court approval that will be sought at a hearing to be held on December 18, 2008 (the “Approval Hearing”).

Manulife has requested the assistance of the Trustee in fulfilling certain notice obligations pursuant to the *Ontario Class Proceedings Act*, including notice of the Approval Hearing. Accordingly, the Trustee, with the approval of the Inspectors, has also entered into an agreement with Manulife to provide assistance with the notices to Portus Customers that may be required pursuant to the class action (the “Administrative Agent Agreement”). The Administrative Agent Agreement is conditional upon the Trustee Settlement Agreement and the Class Action Settlement Agreement being entered into and upon obtaining Court approval of a notice program proposed by Manulife to fulfill its notice obligations.

The key terms and conditions of the Trustee Settlement Agreement are as follows:

- SGC shall pay to the Trustee an amount equal to \$611,089,000 representing the total principal amount of the fifteen Notes less the First Maturity Amount and less the Second Maturity Amount (the “Net Settlement Amount”). The Second Maturity Amount would be paid on December 15, 2008 when the next two Notes mature. That date is prior to the completion of Trustee Settlement Agreement;

- In exchange for the payment by SGC prior to the maturity of the Notes, both the Consolidated Estate and the Receiver will provide a release to the SG Group for any claims they may have against it;
- Interest on the Net Settlement Amount will be paid by SGC to the Trustee from January 1, 2009 to the date the Trustee Settlement Agreement is completed;
- The Trustee Settlement Agreement is conditional upon the class action being certified and upon Court approval of the Class Action Settlement Agreement;
- An order of the Court is obtained vesting the Notes in the Trustee and authorizing and directing the Receiver to execute and deliver a release in favour of the SG Group; and
- If the necessary approvals are obtained on a timely basis, it is anticipated that the Trustee Settlement Agreement will be completed by February, 2009 which will permit the Trustee to make another allocation to the Portus Customers.

IV. The Trustee Settlement Agreement

The Trustee entered into the Trustee Settlement Agreement because it is in the best interests of the Consolidated Estate for the following reasons:

1. The Notes are not redeemable prior to maturity. The Receiver, as the current holder of the Notes, only has the right to receive an amount at maturity for each Note or to sell the Notes in the secondary market maintained by Société Générale (Canada Branch) (“SGCB”), an affiliate of SGC. With respect to the latter market, SGCB provides bid prices for each of the Notes on a restricted web-site on a weekly basis. As at November 14, 2008, the aggregate bid prices available for the remaining Notes were significantly below their aggregate principal amount;
2. In its consideration of the terms of the Trustee Settlement Agreement, the Receiver requested the assistance of Northwater Capital Management Inc. (“Northwater”). As advised in earlier reports, Northwater was engaged by the Receiver to, among other things, provide advice to the Receiver regarding the options available to it with respect to the disposition of the Notes. Northwater completed certain analyses for the Receiver that have been extensively discussed with the Trustee and the Inspectors. Based on the analyses completed by Northwater and given current adverse market conditions, it appears unlikely that more than the principal amount of the remaining Notes will be paid by SGC at maturity;
3. The completion of the Trustee Settlement Agreement will provide Portus Customers with the opportunity and the flexibility to redeploy their funds invested with Portus sooner than otherwise would be available to them. The Trustee intends to make another allocation from the funds it receives from SGC pursuant to the Trustee Settlement Agreement;
4. There are cost savings that would benefit the Consolidated Estate by monetizing the Notes earlier. This would include, for example, a reduction in the administration that would be required to complete additional allocations to Portus Customers as, and when, the Notes mature;
5. Any credit risk that would otherwise be assumed by the holder of the Notes in respect of the ability of the issuer or the guarantor to pay the amounts due at maturity would be eliminated;
6. The Trustee currently estimates realizations in excess of 90% of Portus Customer Claims, if the Trustee Settlement Agreement is completed. The final estimate of realizations can only be determined at a later date as it will depend on potential additional recoveries from ongoing litigation, the costs of funding such litigation, and other expenses associated with the completion of the administration of the Consolidated Estate and the receivership proceedings;

7. the Trustee and the Receiver have discussed the release that each is to provide to the SG Group with their legal counsel. Based on the advice of legal counsel, the Trustee, with the concurrence of the Inspectors, and the Receiver are prepared to provide the necessary releases;
8. the completion of the Trustee Settlement Agreement would conclude complex negotiations between the various parties involved; and
9. if the Class Action Settlement Agreement is not completed, the Receiver will continue to maintain its existing right pursuant to the terms of the Notes to receive payment from SGC upon the maturity of each Note.

V. Notice Regarding Class Action and Class Action Settlement Agreement

In addition to this letter, you will find enclosed in this information package a notice of the motion for certification of the class action and the Approval Hearing. Any questions regarding the Class Action Settlement Agreement should be directed to:

Mr. David Hausman
Fasken Martineau DuMoulin LLP
Telephone: 416-868-3486
E-mail: dhausman@tor.fasken.com

Copies of all of the relevant documents are available at www.portusgroup.ca.