

**TENTH REPORTING LETTER
OF THE TRUSTEE OF THE CONSOLIDATED BANKRUPTCY OF
PORTUS ALTERNATIVE ASSET MANAGEMENT INC.
AND
PORTUS ASSET MANAGEMENT INC.
("CONSOLIDATED ESTATE")**

**Initial Allocation to Portus Customers
October 22, 2007**

Background

On July 27, 2007, the Trustee obtained an Order of the Court which put the Consolidated Estate in a position to make an interim payment, referred to as an "allocation" under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"), to the investors (the "Portus Customers") out of the customer pool fund of the Consolidated Estate.



Payments to creditors under the BIA, including allocations to customers of bankrupt securities firms such as Portus, are made upon the authorization of the Inspectors of the bankrupt corporation.

In August of 2007, the Inspectors of the Consolidated Estate authorized the Trustee to make an initial allocation of fifteen cents on the dollar for each claim of a Portus Customer that has been allowed by the Trustee (the "Initial Allocation").

The Trustee completed the Initial Allocation by mailing cheques to the Portus Customers on October 22, 2007. We expect that it could take up to two weeks for those Portus Customers who will be receiving the Initial Allocation to receive their cheques. You are therefore asked to refrain from calling the Portus KPMG call centre with any questions in relation to the Initial Allocation prior to Monday, November 5, 2007.

Recipients of the First Allocation

The following Portus Customers will be receiving the Initial Allocation:

1. Each Portus Customer who did not invest through a Registered Plan (a "Non Registered Customer") and whose claim was allowed by the Trustee on or before July 31, 2007 will receive a negotiable cheque payable to the Portus Customer.
2. Each Portus Customer who:
 - (a) invested through a Registered Plan that was not a RRIF (a "Registered Plan Customer");
 - (b) has a claim that was allowed by the Trustee on or before July 31, 2007; and
 - (c) has an Alternative Registered Plan that was established on or before July 31, 2007 in accordance with Alternative Registered Plan designation procedures that have been approved by the Court,

will have his or her Initial Allocation transferred into his or her Alternative Registered Plan by way of a negotiable cheque made payable to the issuer of the Alternative Registered Plan. Each such Portus Customer will receive a copy of the cheque forwarded to the trustee of the

Alternative Registered Plan as well as the Portus Customer's Alternative Registered Plan Designation Form with Part 3 completed by the Trustee. The Trustee will also forward a copy of the completed Part 3 to the issuer of the Registered Plan.

3. Each Portus Customer who invested through a RRIF (a "RRIF Customer") and whose claim was allowed by the Trustee on or before July 31, 2007 will receive a negotiable cheque payable to the RRIF Customer for an amount that will be equal to the lesser of:
 - (a) the Initial Allocation; and
 - (b) the aggregate of his or her minimum RRIF payments less any hardship payments that have been received by the Portus Customer (the "Outstanding Minimum Payment Amount").

As described in greater detail below, if a RRIF Customer's Initial Allocation exceeds his or her Outstanding Minimum Payment Amount by more than \$500, a set of Alternative Registered Plan designation documents (the "Alternative Plan Documents") will be delivered to the RRIF Customer by the Trustee within 30 days of the relevant allocation and the excess amount will be withheld by the Trustee until the RRIF Customer has completed the Alternative Plan Documents to the satisfaction of the Trustee and has thereby properly established an Alternative Registered Plan into which the excess amount can be transferred.

Information Accompanying the Initial Allocation

Each Portus Customer who receives an Initial Allocation will receive either the original cheque stub or a copy of the cheque stub. The cheque stub will contain the following information:

Description	Definition
"Claim allowed"	The total dollar value of your claim allowed by the Trustee.
"Cumulative allocation rate %"	The cumulative percentage of all past and present allocations paid to you and/or your Registered Plan from the Consolidated Estate (15% in case of the Initial Allocation).
"Cumulative allocation payment to date"	The actual dollar value of all past and present allocations that have been paid to you and/or your Registered Plan from the Consolidated Estate (the dollar amount of the cheque in the case of the Initial Allocation).
"Claim remaining in the estate"	The difference between what you and/or your Registered Plan received to date and the total dollar value of your claim.

Subsequent Allocations to Portus Customers Who Receive the Initial Allocation

Non Registered Customers

Subject to reductions for the recovery of hardship payments, Non Registered Customers who receive the Initial Allocation will receive all subsequent allocations directly and they will also receive the same information in respect of subsequent allocations that they will receive in respect of the Initial Allocation. Non Registered Customers who have received hardship payments will have their subsequent allocations reduced by the amount of the hardship payments that have been received by them until they have thereby repaid the aggregate amount of such hardship payments to the Consolidated Estate.

Registered Plan Customers

Subject to reductions for the recovery of hardship payments, Registered Plan Customers who receive the Initial Allocation will continue to have all subsequent allocations transferred into their Alternative Registered Plans and they will receive the same information in respect of subsequent allocations as they will receive in respect of the Initial Allocation. Registered Customers who have received hardship payments will have their subsequent allocations reduced by the amount of the hardship payments that have been received by them until they have thereby repaid the aggregate amount of such hardship payments to the Consolidated Estate.

RRIF Customers

As the result of discussions that the Trustee has had with Canada Revenue Agency, each RRIF Customer must be paid the Outstanding Minimum Payment Amount that is owing to him or her for purposes of the *Income Tax Act* (Canada) (“ITA”) before any allocations from the Consolidated Estate can be transferred into a RRIF on behalf of the RRIF Customer. Payment of the Outstanding Minimum Payment Amount will be made in the form of a negotiable cheque payable, and mailed directly, to the RRIF Customer. RRIF Customers who will receive the Initial Allocation will therefore fall into one of two RRIF Customer groups that will comprise the following:

1. RRIF Customers for whom the Initial Allocation will be either less than, or equal to, their Outstanding Minimum Payment Amount (the “First RRIF Group”); and
2. RRIF Customers for whom the Initial Allocation will exceed their Outstanding Minimum Payment Amount (the “Second RRIF Group”).

RRIF Customers who fall into the First RRIF Group will receive a direct payment of the entire Initial Allocation. RRIF Customers who fall into the Second RRIF Group will receive a direct payment of their Outstanding Minimum Payment Amount. The Second RRIF Group will also receive a set of Alternative Plan Documents if the amount in excess of their Outstanding Minimum Payment Amount is greater than \$500, as described in greater detail below. Whether the excess amount that is payable to a member of the Second RRIF Group is less than, equal to, or greater than, \$500 it will be withheld from the member until the member has completed the Alternative Plan Documents to the satisfaction of the Trustee and he or she has thereby properly established an Alternative Registered Plan into which the excess amount can be transferred.

Following the completion of the Initial Allocation, subsequent allocations will be made to RRIF Customers as follows:

1. subsequent allocations will first be used to pay the balance of any Outstanding Minimum Payment Amounts that are owing to RRIF Customers;
2. subsequent allocations in excess of Outstanding Minimum Payment Amounts that are made to any RRIF Customers who have received hardship payments will then be used to effectively repay the aggregate amount of such hardship payments to the Consolidated Estate by reducing the amount of the subsequent allocations by an amount that is equal to the aggregate amount of the hardship payments; and
3. subsequent allocations in excess of Outstanding Minimum Payment Amounts that are made to a RRIF Customer who did not receive, or has no outstanding, hardship payments will be either transferred to an Alternative Registered Plan or withheld by the Trustee pending the completion of Alternative Plan Documents to the satisfaction of the Trustee and the establishment of an Alternative Registered Plan to accommodate the transfer.

Establishment of Alternative Registered Plans by RRIF Customers

The Trustee recognizes that it would not be practical to require RRIF Customers to establish Alternative Registered Plans until all amounts allocated to RRIF Customers in excess of the Outstanding Minimum Payment Amount (the "Excess Amount") are at least sufficient to cover the costs of establishing an Alternative Registered Plan. The Trustee has therefore decided not to require RRIF Customers to establish Alternative Registered Plans until the Excess Amount that is owing to them is greater than \$500. As a result, RRIF Customers will not receive Alternative Plan Documents from the Trustee until the Excess Amount exceeds \$500. As noted above, Excess Amounts of \$500 or less that are owing to a RRIF Customer will be withheld by the Trustee until the RRIF Customer has established an Alternative Registered Plan by completing Alternative Plan Documents to the satisfaction of the Trustee. Should a RRIF Customer that has an Excess Amount of \$500 or less wish to establish an Alternative Registered Plan before receiving any subsequent allocations, the RRIF Customer may contact the KPMG Portus call centre to request the delivery of a set of Alternative Plan Documents to either establish a new RRIF account, or to identify an established RRIF account, into which the Excess Amount could be transferred.

Portus Customers Who Do Not Receive the Initial Allocation

If a Non Registered Customer does not receive an Initial Allocation, it is because the Non Registered Customer did not prove his or her claim prior to July 31, 2007. If a Registered Plan Customer does not receive an Initial Allocation, it is because the Registered Plan Customer failed to prove his or her claim prior to July 31, 2007 and/or failed to establish an Alternative Registered Plan prior to July 31, 2007 to the satisfaction of the Trustee. If a RRIF Customer does not receive the Initial Allocation, it is because the RRIF Customer failed to prove a claim prior to July 31, 2007 or the RRIF Customer has already received hardship payments that exceed the aggregate of the minimum RRIF payments that were owing to him or her for purposes of the ITA.

The Trustee encourages those Non Registered Customers, Registered Plan Customers and RRIF Customers who do not receive the Initial Allocation to take those steps that remain to be taken by them to receive the Initial Allocation and all subsequent allocations by proving their claims and/or establishing Alternative Registered Plans at the earliest opportunity. The Trustee will work with you to facilitate completion of one or both of these steps as soon as reasonably practicable. If you have yet to file a claim, please consult the Call for Claims section on our website.

Deferred Payment of the Initial Allocation to Those Portus Customers Who Do Not Receive It

The Trustee will issue further cheques in respect of the Initial Allocation when the number of Portus Customers who become qualified to receive the Initial Allocation post July 31, 2007, and the aggregate amount of the Initial Allocation that is payable to them, justify the administrative cost of processing and delivering cheques.

Special Circumstances

The Trustee is developing procedures for processing the claims of Portus Customers that have passed away. Under these circumstances, there are numerous methods by which a deceased Portus Customer may pass his or her investment along to a beneficiary. The Trustee will ask the Court to approve all procedures that it adopts for the purpose of processing these claims.

Sale of Claims

The processing of claims that have been sold by Portus Customers who did not invest through Registered Plans will resume on October 30, 2007.

Claims held by Portus Customers who invested through Registered Plans cannot be sold until the Trustee's process for the sale of those claims has been approved by the Court.

Investment Strategies

In recent weeks the KPMG Portus call centre has received calls from financial advisors who view the Initial Allocation as an opportunity to shift or refocus Portus Customers' investments or transfer them to other financial institutions.

The Initial Allocation is being made in accordance with the procedures set out in the BIA and the Order of the Court dated December 15, 2006. The Trustee cannot deviate from those procedures.

The Trustee, whether through the KPMG Portus call centre or otherwise, cannot provide financial or tax advice to Portus Customers or financial advisors.

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KPMG Inc., Receiver / KPMG Inc., Trustee in Bankruptcy

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