



FRASER MILNER CASGRAIN LLP



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June 9, 2006

TO ALL PERSONS WHO HAVE INVESTED FUNDS WITH OR
THROUGH THE PORTUS GROUP (THE "INVESTORS")

Dear Sirs/Mesdames:

**Portus Alternative Asset Management Inc., Portus Asset Management Inc.,
BancNote Corp., Southview Asset Management Inc., Market Neutral Preservation Fund,
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), Preservation Fund Series II, Preservation Fund Series III, BancLife Trust Series I,
BancLife Trust Series II, Premiers Derives Paris Inc.
BNote Management Inc., AR Pioneer Fund, PDP Prudent Growth Fund, Ltd.
Portus Alternative Asset Management Inc. (BVI), B Note Ltd.
PDP Trust, PDF Prudent Growth Management Inc.
Eidolon Inc./S.A., Galway Trust S.A.**

Creditors Meeting (June 21, 2006) Appointment of Inspectors

As you are aware, I am appointed as representative counsel by order of the Ontario Superior Court of Justice to represent the interest of the investors of the Portus Group (the "Investors"). As you are also aware from the mailing and documents which were sent to you by KMPG Inc. in its capacity as Trustee in Bankruptcy of PAAM (the "Trustee") the first meeting of creditors (the "Meeting") is scheduled for June 21, 2006 at 1:00 p.m. o'clock EST at

Ricoh Coliseum, 100 Princess' Blvd. (Exhibition Place), Toronto, Ontario. With the mailing you received a letter from us advising that if Investors were unable to attend the Meeting they could name myself or Shayne Kukulowicz as their proxy. We understand that a large number of proofs of claim have been completed by Investors and returned to the Trustee in which I, or Shayne Kukulowicz have been named as proxyholder for those Investors for the purpose of attending on their behalf and voting at the Meeting.

Among other things that will be dealt with at the Meeting is appointment of inspectors in the bankruptcy of PAAM. Accordingly, we will be exercising our proxies to vote for inspectors. We are looking for Inspectors to nominate and are taking this opportunity to solicit any expressions of interest from any Investors who would be prepared to act as inspectors if elected. Inspectors can, of course, be nominated from the floor of the Meeting. For your information, we can provide the following information with respect to inspectors appointed pursuant to Section 116 of the *Bankruptcy and Insolvency Act*:

1. The creditors (in this case the Investors) are entitled to appoint one or more, but not exceeding five inspectors. I anticipate there will be five in this case.
2. Inspectors need not necessarily be Investors themselves and there are not many grounds for rendering a proposed inspector ineligible. However, no person is eligible to be appointed or to act as an inspector who is a party to any contested action or proceedings by or against the estate the bankrupt. In addition, no inspector is, directly or indirectly, capable of purchasing or acquiring for himself or for another any of the property of the estate for which he is an inspector except with the prior approval of the court.
3. The mandate, powers and rules for the inspectors are set out in and guided by the provisions of the *Bankruptcy and Insolvency Act*.
4. Meetings of inspectors are ordinarily called by the trustee. However, a meeting must be held if the trustee has been requested to do so in writing by a majority of the inspectors. Inspectors generally have no power to hold meetings on their own and their function is to generally assist and advise the trustee in the carrying out of its duties.
5. Inspectors must pass resolutions at properly called meetings and may participate in meetings by telephone or other communication facilities if all other inspectors consent.
6. The powers of inspectors are exercised by a simple majority vote.
7. There is no provision in the *Bankruptcy and Insolvency Act* for "resources or technical support" for the inspectors. An inspector is entitled to be paid for his or her actual necessary travel expenses incurred and fees per meeting as prescribed

by the Act. Given the size of the PAAM estate the current fee for inspectors would be \$40.00 per meeting (this is the maximum fee provided for).

8. The inspectors are obligated, from time to time, to verify the bank balance of the estate, examine the trustee's accounts and inquiry into the adequacy of the security filed by the trustee and shall approve the trustee's final statement of receipt and disbursements, dividend sheet and disposition of unrealized property.
9. Certain of the powers exercisable by the trustee are subject to obtaining the permission of the inspectors. For example:
 - (a) the sale or disposition of the property of the bankrupt;
 - (b) the lease of any property;
 - (c) bringing, instituting or defending any action or other legal proceeding relating to the property of the bankrupt;
 - (d) employing lawyers to take any proceedings;
 - (e) incurring obligations, borrowing money and giving security on any property of the bankrupt;
 - (f) compromising and settling any debts owing to the bankrupt;
 - (g) compromising any claim made by or against the estate;
10. Inspectors have a fiduciary duty to the estate and should not act in their own self-interest. They act in the interests of the estate and are not there to promote their self interest or the special interests of any party.

Having pointed out certain situations in which the inspectors have the right to approve or disapprove the actions of the trustee, it must be understood that the Court is the final arbitrator of these matters and, as such, any refusal by the inspectors to approve the actions of the trustee can ultimately be reviewed and determined by the court. In the present circumstances, it is anticipated that any major decisions with respect to the disposition of assets or realization thereon will be approved by the court (the Soc Gen Notes as an example) and thus the Inspectors role will likely be generally advisory and not determinative.

For the further information for anybody wishing to be an inspector, you can consult a Guide for Inspectors produced by the Superintendent of Bankruptcies Office which can be found at:

[http://strategis.ic.gc.ca/epic/internet/inbsf-osb.nsf/vwapj/InspectorsHandbook-EN.pdf/\\$file/InspectorsHandbook-EN.pdf](http://strategis.ic.gc.ca/epic/internet/inbsf-osb.nsf/vwapj/InspectorsHandbook-EN.pdf/$file/InspectorsHandbook-EN.pdf).

Should anybody wish to serve as an inspector I will consider their credentials and request that they send me a letter or, in the alternative, an email addressed to each of myself, John Sandrelli and Shayne Kukulowicz at the following email address together with a resume detailing their qualifications and confirming that they are not party to any contested action or proceeding by or against the estate of PAAM:

Doug Knowles:	doug.knowles@fmc-law.com
John Sandrelli:	john.sandrelli@fmc-law.com
Shayne Kukulowicz:	shayne.kukulowicz@fmc-law.com

Also, any interested person wishing to be an inspector should specifically point out what their precise relationship(s) is with respect to PAAM. For example, are they an investor, investment dealer, creditor, etc. They should also state whether or not they are receiving any remuneration from any other source with respect to the affairs of PAAM. All requests will be given due consideration.

Yours truly,
FRASER MILNER CASGRAIN LLP

Per: 
Douglas I. Knowles, Q.C.

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

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