

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 #B1:**

**Fee Period #5: April 2006 – March 31, 2007**

**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. Technically, this report deals with the fees and disbursements in the Estate of PAAM and PAM following their respective bankruptcies but is presumed 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 inquires as appeared necessary.

4. For the period April, 2006 to March, 2007, Cost Counsel was provided with those accounts referred to in *Schedule A* attached hereto.

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

5. Very briefly, the period April to March 2007 in connection with the bankruptcy of PAAM and PAM involved considerable work on the following matters.

- (i) Extensive administration of the over 20,000 proofs of claim submitted including call centre management;
- (ii) The arrangements and conducting of a first meeting of creditors and , subsequent inspectors meetings; proxy issues and voting;
- (iii) Issues involving claims trading, assignments etc. ;
- (iv) Potential claims by the Estate against others;
- (v) Preparation and delivery of information materials to investors and claimants and preparation of Trustee's Reports; media relations;
- (vi) Disallowances;
- (vii) The position of rep. counsel in the proceedings and in relation to the receivership;
- (viii) Estate administration including dealing with the SocGen notes, Northwater Consulting, tax issues, T4RRSP's, T4RIF's, privilege issues, RCMP inquiries,

6. Legal counsel were frequently involved in various aspects of the bankruptcies particularly on issues of claims trading and individual and corporate tax issues arising out of the sale of investor claims, distribution of funds, RRSP and RIF accounts and conversions.
7. In particular, McCarthy's accounts for the period December 18<sup>th</sup>, 2006 up to March 31, 2007 have been amended. The initial accounts did not reflect the agreed rates and the amendments make the necessary changes. The revised amounts from July 11 2006 to March 31, 2007 total \$311,748.18 in fees, \$441.88 in disbursements. With GST the total is \$330,918.48 for the relevant period. See Schedule B, McCarthy Bill of Costs Summary.
8. Legal accounts have been reviewed also by KPMG and have been approved by the Inspectors.

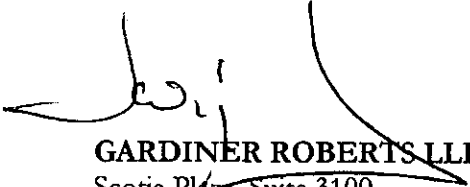
**C. Costs Meriting Consideration**

- (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**

9. It is clear from the accounts and from the reports of the Trustee that the Portus matter continues to be an accounting, legal and administrative challenge. Little about this case can be said to be straightforward.
10. Cost counsel has conducted the review mandated by this Court and considers that for the Period, (and subject to the KPMG adjustment noted above), 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 filed.

Dated: September 21, 2007



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Independent Costs Counsel

Schedule A -- List of Accounts (to March 31, 2007)

	April 06	May 06	June 06	July 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
KPMG	Date: 01/25/07 Inv. No. C42659661	Date: 01/25/07 Inv. No. C42659584	Date: 01/25/07 Inv. No. C42659589	Date: 01/25/07 Inv. No. C42659596	Date: 01/24/07 Inv. No. C42659609	Date: 01/25/07 Inv. No. C42659626	Date: 06/15/07 Inv. No. 42805428	Period Ending 11/30/06	Period Ending 12/31/06	Date: 06/15/07 Inv. No. 42805434	Period Ending 02/28/07	Period Ending 03/31/07
Thornton, Groot, Finnigan		Period Ending 06/30/06	Period Ending 07/31/06	Period Ending 08/31/06		Period Ending 09/30/06	Period Ending 10/31/06	Period Ending 11/30/06	Period Ending 12/15/06	Period Ending 01/31/07		
McCarthy Tetrault							Period Ending 10/16/06 Period Ending 10/31/06	Period Ending 11/30/06	Period Ending 12/15/06 Date: 06/27/07 Inv. No. 2159852	Date: 06/27/07 Inv. No. 2159850	Date: 06/27/07 Inv. No. 2159841	

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

ONTARIO SECURITIES COMMISSION  
Applicant

-and-

PORTUS ALTERNATIVE ASSET MANAGEMENT INC. et al  
Respondents

Court File No. 05-CI-5792

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

**REPORT B1**

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