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### **THIRD NOTICE TO DEBENTURE HOLDERS**

January 29, 2008

Dear Sir or Madam:

#### **Receivership of FactorCorp Inc. and FactorCorp Financial Inc. (“FFI”) (collectively, the “Companies”)**

We are writing to update you on certain matters regarding the receivership of the Companies. Additional information about the receivership is available at [www.kpmg.ca/factorcorp/](http://www.kpmg.ca/factorcorp/) (“Receiver’s Web-site”), including the Receiver’s reports to the Ontario Superior Court of Justice (Commercial List) (the “Court”), orders from the Court regarding the Receivership, and the two prior notices to debenture holders. We encourage you to refer to the Receiver’s Web-site for the most recent information on the receivership. The web-site is the most cost-effective way for us to report to all stakeholders.

The Receiver is making arrangements to have T5 statements, reporting interest payments made by the Companies to debenture holders between January 1, 2007 and October 17, 2007 (the date of the receivership), prepared and issued. The T5s will be mailed prior to February 29, 2008.

In the second Notice to Debenture Holders, dated November 14, 2007, we advised that despite the Receiver’s request to have the Companies’ bank accounts frozen, amounts equivalent to the November 1, 2007 interest payments (“November 1<sup>st</sup> Payments”) were deposited to debenture holders’ bank accounts by the Companies’ bank (the “Bank”). These payments were not authorized by the Receiver and were not paid out of either the Companies’ funds or receivership funds. The Receiver is of the view that it would be less disruptive to debenture holders if the Bank was reimbursed for the November 1<sup>st</sup> Payments out of receivership funds. In this connection, the Receiver and the Bank agreed that the Bank would be reimbursed for the November 1<sup>st</sup> Payments out of receivership funds in conjunction with the Receiver’s first distribution to debenture holders. Such distribution will not take place until the Receiver has recovered a sufficient quantum of FFI’s assets to justify the cost of a distribution. Additional information on the November 1<sup>st</sup> Payments and the resolution agreed to by the Receiver and the Bank is set out in the Receiver’s Second Report to the Court dated November 21, 2007 (the “Second Report”). The Court Order, dated November 27, 2007, approving the aforementioned resolution, is also on the Receiver’s Web-site.

The Receiver continues to seek further information about the affairs of the Companies in order to assist in the maximization of recoveries. Pursuant to the Receivership Appointment Order, the Receiver is entitled to possession of all of the Companies’ books and records. The president of FFI has expressed concerns that certain of the Companies’ documents may be subject to privilege. In order to deal with this concern, the Receiver and the Companies’ president have agreed to an initial process (the “Document Protocol”). The steps proposed in this regard are outlined in the Receiver’s

Third Report to the Court dated December 19, 2007 (the "Third Report"). The Document Protocol was approved by the Court on December 28, 2007. Copies of both the Third Report and the Court Order made on December 28, 2007 are available on the Receiver's Web-site.

In the Third Report, the Receiver also advised the Court that, in accordance with the powers granted to the Receiver under the Receivership Appointment Order, the Receiver intends to examine the president of the Companies under oath in order to obtain further information about the Companies' business activities, including the use of investors' funds. In order for the Receiver and its counsel to prepare for such examination, it is essential that the Receiver obtain all of the Companies' records and have the opportunity to review these prior to the examination.

The Receiver is not in a position to project the outcome of the administration of the receivership. As discussed above, the Receiver continues to gather and analyze information about the investments and assets of the Companies. Additionally, a claims process to determine and/or confirm the identity of the debenture holders and other creditors, including the amounts due to them by the Companies, has not yet been implemented. The Receiver will continue to report to the Court on its activities, including the development of a plan to realize on the Companies' assets. Debenture holders are cautioned that in its reporting the Receiver has to consider whether the disclosure of certain information may possibly negatively affect the realization values of the Companies' assets.

Should you have any questions, you may contact the Receiver through the inquiry line at 416-777-8408 or by email at [factorcorp@kpmg.ca](mailto:factorcorp@kpmg.ca).

Yours very truly,

**KPMG INC.**  
**Court Appointed Receiver and Manager of all of the**  
**Property, assets and undertaking of FactorCorp Inc.**  
**and FactorCorp Financial Inc.**



Per: J. Bradley Butcher  
Vice President