



KPMG Inc.
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-3364
Internet www.kpmg.ca

March 31, 2011

Dear Customer:

**IN THE MATTER OF THE BANKRUPTCY OF FACTORCORP INC. (“FCI”)
AND FACTORCORP FINANCIAL INC. (“FFI”) (collectively, the “Consolidated
Estate” or the “Companies”)**

Please find enclosed your initial distribution from the Consolidated Estate.

KPMG Inc. as trustee of the Consolidated Estate (the “Trustee”) prepared a Second Report dated March 9, 2011 (the “Second Report”) to update the Customers and other stakeholders of companies with respect to the status of the administration of the Consolidated Estate, including the initial distribution to FFI’s investors. A copy of the Second Report is posted on the Trustee’s website (www.kpmg.ca/factorcorp) and should be read in conjunction with the Trustee’s Preliminary Report and the Trustee’s First Report, both of which are also available on the Trustee’s website.

For your information, we are also enclosing the Combined Summary Statement of Receiver’s and Trustee’s Receipts and Disbursements to February 28, 2011 (Appendix B to the Second Report). This statement indicates that as February 28, 2011 the Trustee had total funds on hand of \$3,203,149 as at February 28, 2011. As at February 28, 2011, the Receiver held approximately \$26,192 in its accounts for FFI which has subsequently been remitted to the Trustee. As at February 28, 2011, the Receiver held approximately \$5,505 in its accounts for FCI. The professional fees paid to October 31, 2010 are included in the Combined R&D.

As discussed in the Second Report, the Inspectors have authorized the Trustee to make an initial distribution to the investors from the pool of funds invested in FFI in proportion to each investors’ net equity on March 31, 2011 in the amount of approximately \$2,002,375 which represents approximately four (4) cents on the dollar. This initial distribution is net of a payment required to be made to Bank of Montreal in the amount of approximately \$330,000 to reimburse Bank of Montreal for the amount which it distributed to all investors with admitted claims in 2007. The details of this payment are set forth in the Second Report.¹

After the payment to Bank of Montreal and the initial distribution, the balance in the being held by the trustee will be approximately \$896,966. As discussed in Section 8.2 of the Second Report, this amount is being held as a reserve, primarily in respect of anticipated future costs of the Consolidated Estate, including the anticipated fees associated with the Trustee’s participation in the hearing before the Ontario Securities Commission, which is described in Section 5.1 of the Second Report, and various ongoing and outstanding issues in the Consolidated Estate. The Trustee is not yet able to estimate the amount or timing of any additional future distributions from the Consolidated Estate. However, as described in the Second Report, the Inspectors have

¹ With reference to Paragraph 3.1.2 of the Second Report, in determining the amount of each Customer’s claim the Trustee treated the payment received by Customers on November 1, 2007 as a return of principle.



Page 2
March 31, 2011

directed the Trustee to cease all further realization efforts in respect of the assets of the Consolidated Estate (other than incidental actions necessary to complete decisions made on settlements already reached and approved by the Inspectors). As a result, the Trustee cautions that any further distributions, if any, will be nominal.

Should you have any questions, please contact the Trustee at (416) 777-8408 or email us at factorcorp@kpmg.ca.

Yours very truly,

**KPMG INC., in its capacity as Trustee of the Consolidated Estate of
FactorCorp Inc. and FactorCorp Financial Inc.**

A handwritten signature in cursive script that reads 'Elizabeth J. Murphy'.

Per: Elizabeth J. Murphy
Vice President

APPENDIX B - SECOND REPORT OF THE TRUSTEE

IN THE MATTER OF THE BANKRUPTCY OF FACTORCORP INC. AND FACTORCORP FINANCIAL INC.
 COMBINED SUMMARY STATEMENT OF RECEIVER'S AND TRUSTEE'S
 RECEIPTS AND DISBURSEMENTS
 To February 28, 2011

	Receiver & Manager of FactorCorp Inc. from October 17, 2007 to February 28, 2011	Receiver & Manager of FactorCorp Financial Inc. from October 17, 2007 to February 28, 2011	Trustee of Consolidated Estate from March 25, 2008 to February 28, 2011	Total
RECEIPTS:				
Interest Receivable (Note 1)	-	\$842,316.89	\$645,445.51	\$1,487,762.40
Transfer from FactorCorp Financial Inc. accounts	-	666,136.20	-	666,136.20
Transfer from FactorCorp Inc. accounts	\$5,665.00	-	-	5,665.00
Repayment of Principal (Note 2)	-	455,958.82	3,126,082.47	3,582,041.29
Refund of Retainer	-	16,583.74	-	16,583.74
Transfer from Receiver's account for FactorCorp Financial Inc. to Trustee's account	-	(905,000.00)	905,000.00	0.00
Deposit interest	-	35,831.85	30,228.48	66,060.33
Miscellaneous	-	-	1,400.00	1,400.00
Total receipts	\$5,665.00	\$1,111,827.50	\$4,708,156.46	\$5,825,648.96
DISBURSEMENTS:				
Monitor's fees	-	85,684.34	-	85,684.34
Receiver's fees	-	598,206.77	-	598,206.77
Receiver's legal fees	-	296,068.79	-	296,068.79
Company's legal fees	-	15,000.00	-	15,000.00
Trustee's legal fees (Note 3)	-	-	499,234.64	499,234.64
Trustee's fees (Note 3)	-	-	902,567.78	902,567.78
Computer Consulting fees	-	10,373.95	-	10,373.95
Professional Services	-	19,437.32	2,649.85	22,087.17
Advertising	-	-	3,169.20	3,169.20
Filing fees	70.00	70.00	150.00	290.00
Redirection of mail	-	110.00	-	110.00
Creditors meeting expense	-	-	826.80	826.80
Inspectors fees and expenses	-	-	6,114.00	6,114.00
Mail Expense	-	1,476.66	-	1,476.66
GST paid	-	57,255.17	72,975.98	130,231.15
Collection fees	-	-	10,348.23	10,348.23
Storage of records	-	-	1,461.12	1,461.12
Miscellaneous and office expenses	90.02	1,951.91	5,510.02	7,551.95
Total disbursements	\$160.02	\$1,085,634.91	\$1,505,007.62	\$2,590,802.55
Excess of Receipts over Disbursements (Note 4)	\$5,504.98	\$26,192.59	\$3,203,148.84	\$3,234,846.41
Represented By:				
Balance in Receiver's/Trustee's Accounts at CIBC	\$5,504.98	\$26,192.59	\$174,715.36	\$206,412.93
CIBC GIC maturing November 8, 2011	-	-	611,721.22	611,721.22
CIBC GIC maturing January 12, 2012	-	-	659,387.60	659,387.60
CIBC GIC maturing March 4, 2011	-	-	352,800.00	352,800.00
CIBC GIC maturing March 31, 2011	-	-	904,524.66	904,524.66
CIBC GIC maturing September 21, 2011	-	-	500,000.00	500,000.00
	\$5,504.98	\$26,192.59	\$3,203,148.84	\$3,234,846.41

Notes

1) Interest payments received are comprised of:

Customer	Receiver	Receiver	Trustee	Total
Breken Financial Inc.	-	\$86,437.05	\$10,438.35	\$96,875.40
CanFactor Inc.	-	47,174.10	235,805.52	282,979.62
Capmor Financial	-	20,110.13	22,877.65	42,987.78
Forbes Hutton I	-	423,500.00	294,100.00	717,600.00
Forbes Hutton II	-	66,666.32	39,999.99	106,666.31
Forbes Hutton III	-	48,918.12	42,224.00	91,142.12
Lease Capital	-	149,511.17	-	149,511.17
	\$0.00	\$842,316.89	\$645,445.51	\$1,487,762.40

2) Principal payments received are comprised of:

Customer	Receiver	Receiver	Trustee	Total
Integra	-	\$293,465.62	\$12,970.64	\$306,436.26
Capmor Financial	-	162,493.20	355,299.11	517,792.31
CanFactor Inc.	-	-	110,000.00	110,000.00
Breken Financial Inc.	-	-	1,400,000.00	1,400,000.00
W3 Commex Inc.	-	-	715,623.00	715,623.00
Forbes Hutton	-	-	375,000.00	375,000.00
FCB Financial	-	-	7,189.72	7,189.72
Lease Capital	-	-	150,000.00	150,000.00
	\$0.00	\$455,958.82	\$3,126,082.47	\$3,582,041.29

3) Relates to fees incurred from March 25, 2008 to October 31, 2010

4) In accordance with March 25, 2008 Court Order, Bank of Montreal is entitled to receive \$330,000 from the first distribution by the Trustee as reimbursement for the November 1, 2007 interest payments to debenture holders which were made in error.