



**KPMG Inc.**  
Suite 3300 Commerce Court West  
PO Box 31 Stn Commerce Court  
Toronto ON M5L 1B2  
Canada

Telephone (416) 777-8500  
Fax (416) 777-3364  
Fax (416) 777-8818  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **FOURTH NOTICE TO DEBENTURE HOLDERS**

February 29, 2008

Dear Sir / Madam:

### **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 Website”), 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 three prior notices to debenture holders. We encourage you to refer to the Receiver’s Website for the most recent information on the receivership. The website is the most cost-effective way for us to report to all stakeholders.

### **T5 Form**

Enclosed herewith is your 2007 T5 form with respect to interest payments made by FFI. This form has been prepared by KPMG Inc. in its capacity as Court Appointed Receiver and Manager (the “Receiver”) based on FFI’s records.

In our Third Notice to Debenture Holders dated January 29, 2008, we provided certain information with respect to the November 1, 2007 interest payments (“November 1<sup>st</sup> Payments”) which 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 was 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 a sufficient quantum of FFI’s assets have been recovered to justify the cost of a distribution. The Receiver now recommends that this obligation be transferred to the Trustee should a bankruptcy process be implemented (see related discussion below). 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 Website.

**Bankruptcy Application**

In the Receiver's Second Report to the Court dated November 21, 2007, the Receiver recommended that the Court grant the Receiver the authority to file an application for a Consolidated Bankruptcy Order against the Companies. By an Order dated November 27, 2007, the Court provided the Receiver with such authority and the Application was issued on December 4, 2007. It is the view of the Receiver that it is appropriate to seek a Bankruptcy Order and, accordingly, the Receiver has scheduled a court date for March 25, 2008 to hear the Receiver's motion for the making of a Bankruptcy Order. Such motion will be supported by, among other things, the Receiver's Fourth Report to the Court (the "Fourth Report"). The Receiver is required to file the Fourth Report with the Court by March 7, 2008. Once issued, the Fourth Report will be posted on the Receiver's Website.

**Bankruptcy Process**

If the Court makes the Bankruptcy Order on March 25, 2008, the Receiver anticipates that the first meeting of creditors will be held on or before April 14, 2008. You will receive notice of that meeting, along with a proof of claim and proxy form, from the Trustee. The bankruptcy proceeding will facilitate direct involvement by the debenture holders in the administration of the estate of the Companies through the appointment of Inspectors, which will take place at the first meeting of creditors.

Should you have any questions, please contact the Receiver's office by telephone 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*

Encl.