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NOTICE TO DEBENTURE HOLDERS

October 29, 2007

Dear Sirs:

FactorCorp Inc. and FactorCorp Financial Inc. (“FFI”) (collectively, the “Companies”)

We are writing to advise that KPMG Inc. was appointed Receiver and Manager (the “Receiver”) of all of the property, assets and undertaking of the Companies on October 17, 2007 pursuant to an Order made by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “Appointment Order”). A copy of the Appointment Order is available at www.kpmg.ca/factorcorp.

FFI’s records indicate that you hold debentures issued by FFI.

The Receiver is presently undertaking a review of FFI’s assets, including its loans receivable and investments, with a view to developing a realization strategy. Pursuant to the Appointment Order, the Receiver’s principal mandate is to realize on the Companies’ assets for the benefit of creditors. In the interim, the Receiver will take steps to collect interest and scheduled principal repayments due to FFI.

Effective immediately, interest payments to debenture holders are frozen.

The Court has not yet established a procedure for debenture holders to prove their claims; accordingly, there is no need at this point for you to correspond with the Receiver in that connection. The Receiver’s periodic reports to the Court will be available at the website noted above. A copy of the Receiver’s initial report pursuant to the requirement of the *Bankruptcy and Insolvency Act* is attached.

Should you have any questions, you may call the Receiver’s inquiry line at 416-777-8408 or send an email to 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