

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, C.S.5, AS AMENDED**

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

FACTORCORP INC. AND FACTORCORP FINANCIAL INC.

Respondents

SUPPLEMENTAL REPORT TO SECOND REPORT TO THE COURT
SUBMITTED BY KPMG INC.
AS RECEIVER AND MANAGER

November 26, 2007

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1. Purpose of this Supplemental Report

- 1.1 This Supplemental Report to the Receiver and Manager's Second Report to the Court submitted under date of November 21, 2007 (the "Second Report") has been prepared for the purposes of: (i) updating the Court on certain developments with respect to the Retainer Funds; and (ii) to amend the Receiver's recommendation with respect to the disposition of the Retainer Funds.
- 1.2 All capitalized terms used in this Supplemental Report are as defined in the Second Report.

2. Retainer Funds

- 2.1 Since the issuance of the Second Report, the Receiver has been in contact with Stockwoods and Stockwoods has provided the Receiver with a copy of its invoice for services rendered to Factor Corp and Twerdun in connection with various professional time incurred by Stockwoods related to the preparation of the Statement of Defence in respect to New Solutions' Amended Claim, and other matters. Stockwoods' invoice totals \$23,416.26 for such services (the "Invoice Amount") and includes fees and disbursements up to and including October 25, 2007, the date on which Stockwoods was advised of the appointment of the Receiver. The Receiver is of the view that Stockwoods should be entitled to deduct the Invoice Amount from the Retainer Funds which are presently being held in trust by Stockwoods. Accordingly, the Receiver is of the view that Stockwoods should remit \$16,583.74 of the Retainer Funds to the Receiver.
- 2.2 The Receiver intends to pursue contribution from Twerdun for 50% of the Invoice Amount.
- 2.3 The Receiver notes that the corporate Defendant in the New Solutions Litigation is referred to in the pleadings as "Factor Corp" or "Factor Corp.". To the Receiver's knowledge, there is no such entity, and in any event, neither is the proper name of either of the entities which are subject to the Appointment Order.

3. Recommendation

- 3.1 The Receiver recommends that this Honourable Court make an Order directing Stockwoods to remit \$16,583.74 of the Retainer Funds to the Receiver.

All of which is respectfully submitted this 26th day of November, 2007.

KPMG INC.

IN ITS CAPACITY AS THE COURT APPOINTED
RECEIVER AND MANAGER OF FACTORCORP
INC. AND FACTORCORP FINANCIAL INC.



Per: J. Bradley Butcher
Vice-President