

NOTICE

In preparing this letter, the Trustee has relied upon information and records available from the Portus Group and from third parties. The Trustee's review of this information does not encompass an audit of the financial position or operating results of PAAM. In addition, any financial information, including the preliminary estimate on realization, presented by the Trustee is preliminary and the Trustee is not yet in a position to project the ultimate outcome of the administration of the estate.

In view of the uncertainties surrounding an entity in bankruptcy, the ultimate financial position of the estate and the ultimate realizations will undoubtedly differ from the information provided in this letter.

The preliminary estimate of realizations discussed later in this letter is not an estimate of the fair market value at which any Investors' claims should be transferred.

Important Information on Creditors' Claims

The Trustee has previously advised the Investors that three third party investment organizations are willing to purchase claims from the Creditors. The Trustee identified them as Primeshares World Markets LLC, Davidson Kempner Capital Management LLC and Silver Point Finance LLC. Silver Point has advised the Trustee that its affiliate, Claims Monetization Group, is making offers to Creditors to purchase claims.

The Trustee cannot give advice to Creditors on whether to sell their claims now or to wait until the Trustee is able to determine at what time and how much distributions of Creditors' funds will take place. However, the Trustee is committed to giving all Portus Creditors as much information on claims as soon as it is available. *The Trustee recommends that Creditors obtain independent financial advice in that regard.*

Current Status of Assets

Here is what we know now:

The Report of the Trustee's Preliminary Administration dated June 18, 2006 indicated that the Trustee estimated the total assets at approximately \$678 million. This estimate took into account the costs incurred in the receivership proceedings to March 31, 2006. This estimate did not include any allowance for future costs to be incurred in both the bankruptcy and receivership proceedings nor did it include any potential future recoveries that may arise, as these matters are difficult to predict by their very nature.

Portus assets are in three categories.

The major asset category is principal-protected notes issued by Société Générale (Canada) (“SGC Notes”) that were acquired at an aggregate purchase price of approximately \$529 million.

The second major asset category is made up of Cash and Short-term investments of \$158 million (before subtracting the costs associated with the administration of the receivership and bankruptcy proceedings), both of which are earning interest. Since the commencement of the receivership proceedings and to September 30, 2006, interest income of approximately Can. \$7.3 million has been earned on the cash and short-term investments.

A third potential asset category is money coming from any additional recoveries of Portus money and interest income, including the possible recovery of US \$8 million of Creditor money converted into diamonds, as well as the results of future litigation.

The Report of Trustee’s Preliminary Administration dated June 18, 2006 indicated a preliminary estimate of realization on Creditors’ claims of 85.8% (in other words, 85.8 cents on the dollar), before additional costs of realization and potential additional recoveries. This figure could go up or down, depending on a wide range of variables. This figure is based on the aggregate purchase price of the SGC Notes.

The Trustee is in active discussions on a variety of options for the return of funds to Creditors, including exploring arrangements that would allow for the early and equitable liquidation of the SGC Notes before their stated date of maturity for an amount significantly higher than their purchase price. The Trustee is also considering interim distributions of money to Creditors from the Cash and Short-term investments currently held and from the SGC Notes as they reach their maturity dates between 2008 and 2011, if they are not liquidated prior to their maturity dates. The vast majority of the SGC Notes mature in the year 2009.

The Trustee will communicate to Creditors all future developments regarding the potential recoveries for the Creditors.

See the attached Appendix below for additional, detailed information that may be of use to Creditors regarding their own decisions about selling or retaining their Portus claims. ***Again, the Trustee recommends that Creditors obtain independent financial advice.***

APPENDIX

The Trustee’s preliminary estimate of realizations on Investors’ Claims as at June 18, 2006 was approximately 85.8%

The biggest component of this estimate is the value attributed to the principal-protected notes issued by Société Générale (Canada) (the “SGC Notes”). For purposes of arriving at its preliminary estimate, the Trustee used the aggregate purchase price of the SGC Notes which was approximately \$529.3 million. The SGC Notes were acquired during the period October 2003 to December 2004.

A copy of Schedule I from the Report of Trustee’s Preliminary Administration dated June 18, 2006 is attached. Schedule I shows how the calculation of the preliminary estimate of realizations on Investors’ claims of 85.8% was determined. Readers are strongly encouraged to read the Trustee’s report in its entirety including the Notice on page ii of the Report of Trustee’s Preliminary Administration dated June 18, 2006.

Since then, the aggregate quoted bid prices of the SGC Notes at various dates, some of which have previously been published by the Receiver and/or the Trustee, are as follows:

Date	Aggregate Quoted Bid Price (in CDN \$millions)
August 19, 2005*	\$545.6
June 9, 2006**	\$561.5
June 30, 2006	\$554.4
September 1, 2006	\$561.8
October 6, 2006	\$560.7
At maturity*	\$611 – aggregate guaranteed principal amount at maturity

* contained in the Receiver’s Ninth Court Report dated September 19, 2005

** contained in the Report of the Trustee’s Preliminary Administration dated June 18, 2006

The quoted prices are historic indicative prices only and may not be representative of ultimate realizable values. Additional information regarding quoted prices and the secondary market for the SGC Notes is contained in Appendix A to the Report of the Trustee’s Preliminary Administration dated June 18, 2006.

As can be seen from the table below, there is only one SGC Note that matures in the year 2011 for a principal amount of \$14.2 million. The vast majority of the SGC Notes mature in the year 2009 with earliest maturity date being September 30, 2008.

SGC Note	Purchase Price	Principal-Protected Amount (at Maturity)	Maturity Date
1	\$44,500,000	\$50,000,000	September 30, 2008
2	\$23,994,400	\$26,960,000	September 30, 2008
3	\$32,992,300	\$37,070,000	December 15, 2008
4	\$11,177,510	\$12,559,000	December 15, 2008
5	\$81,495,800	\$95,200,000	April 30, 2009
6	\$18,438,000	\$21,000,000	April 30, 2009
7	\$40,992,000	\$48,000,000	April 30, 2009
8	\$6,321,600	\$ 7,200,000	April 30, 2009
9	\$62,707,000	\$73,000,000	August 31, 2009
10	\$40,036,500	\$46,500,000	August 31, 2009
11	\$23,193,000	\$27,000,000	August 31, 2009
12	\$14,981,400	\$17,400,000	August 31, 2009
13	\$81,978,750	\$94,500,000	December 31, 2009
14	\$35,133,750	\$40,500,000	December 31, 2009
15	\$11,395,500	\$14,200,000	December 31, 2011
Total	\$529,337,510	\$611,089,000	

As shown in Schedule I to the Report of the Trustee's Preliminary Administration attached, the total estimate of the assets was approximately \$678.52 million versus total investor book claims of approximately \$790.8 million after hardship payments resulting in an estimated realization of approximately 85.8% (that is, \$678.52 million/\$790.8 million = 85.8%).

For illustrative purposes, if one were to assume that the realizations on the SGC Notes were to occur at the various aggregate quoted bid prices shown above and that no other items in Schedule I to the Report of the Trustee's Preliminary Administration were to change, then estimated realizations on investors' claims could be as follows:

Date	Aggregate Quoted Bid Price (in CDN \$millions)	Potential Total Assets (in CDN\$ millions)	Estimated Realizations on Investors' Claims (%) (calculated as: Potential Total assets/\$790.8 million investor book claims)
Per Trustee's Preliminary report	\$529.3 (original purchase price)	\$678.52	85.8%
August 19, 2005	\$545.6	\$694.82*	87.8 %
June 9, 2006	\$561.5	\$710.72*	89.8 %
June 30, 2006	\$554.4	\$703.62*	88.9 %
September 1, 2006	\$561.8	\$711.02*	89.9 %
October 6, 2006	\$560.7	\$709.92*	89.7 %
At maturity	\$611 – aggregate guaranteed principal amount at maturity	\$760.22*	96.1 % **

* Calculated as the estimated total assets per Trustee's preliminary report of \$678.52 million plus the difference between the Aggregated Quoted Bid Price and the original purchase price of the SGC Notes of \$529.3 million.

** This estimated realization has not been adjusted to reflect that SGC Notes mature over a period of 4 years, beginning in 2008.

A summary of the estimated financial impact to Investors of additional asset recoveries, before costs of realization is provided in the table below:

For Additional Recoveries of:	Financial Impact Per dollar of claim
\$10 million	\$0.012
\$20 million	\$0.025
\$30 million	\$0.037
\$40 million	\$0.050

As illustrated above, for every \$10 million of additional recoveries this would translate into approximately 1.2 cents per dollar of an Investor's claim.

Source: the Report of the Trustee's Preliminary Administration, June 18, 2006
Schedule I

**PRELIMINARY ESTIMATE OF REALIZATIONS ON INVESTORS' CLAIMS,
BEFORE ADDITIONAL COSTS OF REALIZATIONS AND POTENTIAL
ADDITIONAL RECOVERIES (note 1)**

As at June 18, 2006, unless otherwise noted (in \$millions, Canadian \$)

Item Description	Amount/ Estimate
Cash and short-term investments as at the commencement of the receiverships and after conversion of \$US to \$CAD pursuant to court order dated April 19, 2006 (note 2)	\$ 158.6
SGC Notes - at aggregate purchase price (note 3)	529.3
Fixed Assets	0.02
Total Estimate of Assets <i>before</i> costs of realization and potential additional recoveries	\$ 687.92
Add: Estimate of Additional Recoveries and Interest Income as at March 31, 2006 (note 4)	3.9
Less: Estimate of receivership costs as at March 31, 2006 (note 5)	(13.3)
Less: Additional costs of Receivership and Bankruptcy proceedings	<i>Unknown</i>
TOTAL ESTIMATE OF ASSETS before costs of realization including additional costs associated with the receivership and bankruptcy proceedings and before potential additional recoveries	\$ 678.52
Total Investor Claims Per Portus records (before completion of claims process)	\$ 792.1
Less: Hardship payments made to investors as at March 31, 2006 (note 6)	(1.3)
TOTAL INVESTOR CLAIMS AT BOOK VALUE after Hardship payments	\$ 790.8
PRELIMINARY ESTIMATE OF REALIZATIONS ON INVESTORS' CLAIMS BEFORE ADDITIONAL COSTS OF REALIZATION AND POTENTIAL ADDITIONAL RECOVERIES	85.8%

Notes:

1. The above analysis is before consideration of possible tax consequences with respect to the ultimate disposition of the SGC Notes
2. The total cash reported in the Preliminary Statement of Affairs included approximately US \$35.9 million that was reflected in Canadian dollars using an exchange rate of 1.1652. Pursuant to a court order obtained by the Receiver on April 19, 2006, the US dollar funds were converted to Canadian dollars at an exchange rate of 1.1368 for future distribution to investors. The cash balance excludes an amount of approximately \$14.9 million representing the sales proceeds associated with an asset related to the MNP Structure that has been deemed not to form part of the assets of the estate of PAAM pursuant to a court order dated March 21, 2006 (the "March 21 Order"). Certain issues associated with the implementation of the March 21 Order need to be resolved before final determination can be made of the amount available to the MNP Investors.

These issues may further impact the assets and liabilities of PAAM, although the impact is not expected to be material.

The cash balance also excludes approximately \$213,000 that was maintained by PAAM in two investment accounts at Royal Bank of Canada ("RBC") in guaranteed investment certificates (the "GICs"). The GICs were pledged by PAAM to RBC as security in connection with two letters of credit totalling \$210,000 issued by RBC to the Guarantee Company of North America ("GCNA"), which stood as security for performance bonds issued by GCNA on behalf of PAAM. RBC received a demand for payment under the letters of credit and made payment in respect thereof. With the consent of the Receiver, RBC has applied the proceeds of the GICs to fund PAAM's obligations to RBC in connection with the letters of credit. As RBC has realized on its security, an amount of \$213,000 has been removed from the cash balance to reflect this event.

- 3. For purposes of the above analysis, the SGC Notes have been shown at their aggregate purchase price. As at June 9, 2006, the aggregate prices for the SGC Notes quoted by Société Générale Securities Inc. was approximately \$561.5 million. However, this amount may not represent the effective realizable value of the SGC Notes. Ultimate realizations for the SGC Notes will depend on a number of factors, including, but not limited to, the performance of the PAIMF to the maturity date or sale date of the various notes and, if the notes are sold prior to maturity, market conditions. If the SGC Notes are all held until maturity, the SGC Notes provide that aggregate payments on the SGC Notes will be at least approximately \$611 million. Further discussions regarding the options available with respect to the SGC Notes and the implications of same will be held with the inspectors of the estate of PAAM once appointed.*
- 4. The majority of this amount relates to interest earned with respect to funds secured since the commencement of the receiverships of the entities within the Portus group.*
- 5. On June 20, 2006, the Receiver will, among other things, be requesting court approval of the receivership costs incurred to March 31, 2006 which are estimated at approximately \$13.3 million, the majority of which relate to professional fees and expenses.*
- 6. Payments made to hardship claimants will be treated as distributions and therefore have the effect of reducing the total amount of the claims for purposes of the above analysis.*

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