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TO THE STAKEHOLDERS OF NEW LIFE CAPITAL CORP. ET AL (“New Life”)

Receiver’s Update – March 17, 2011

Further to the Receiver’s Update dated June 1, 2010 (the “June 2010 Notice”), we are writing to update the stakeholders of New Life on certain developments.

All of the information contained in this notice is based on the information available to the Receiver as of the date of this notice. All capitalized terms used herein and not otherwise defined are as defined in the Receiver’s Seventh Report to the Court dated August 9, 2010 (the “Seventh Report”). The Seventh Report and the Receiver’s other Reports to the Court (collectively, the “Court Reports”) are available on the Receiver’s website at www.kpmg.ca/en/ms/cl/newlifecapital/.

The Receiver has relied upon information and records available from New Life and from third parties. The Receiver’s review of this information does not constitute an audit of the Property or the financial position or operating results of New Life. In addition, any financial information presented by the Receiver is preliminary and the Receiver is not yet in a position to project the outcome of the administration of the receivership.

Recovery of Traced Funds

In the June 2010 Notice, the Receiver provided an update on its tracing efforts with respect to the funds New Life raised from Investors (the “Traced Funds”). The Receiver also advised that it had been able to secure certain of the assets (the “Secured Assets”) acquired with the Traced Funds. The following is an update on the status of the realization efforts with respect to certain Secured Assets.

The Receiver cautions that it is not yet in a position to determine the total amount of the Traced Funds that will be secured and recovered by the Receiver. The Receiver further cautions that it is unlikely to be able to secure and/or recover the full amount of the Traced Funds, and that the purchase price of an asset does not reflect the expected realization value.

Bahamian Condo

As described in the June 2010 Notice, between October 2008 and December 2009 Traced Funds totalling approximately USD 2,799,130 were used by the Principals to purchase a condominium at Ocean Club, Paradise Island, Bahamas (the “Bahamian Condo”). This amount included the purchase price, related fees, stamp duty, social, recreational and condo fees and property taxes.

Traced Funds totalling approximately USD 13,620 were used by the Principals to acquire certain furniture (the “Furniture”) which is located in the Bahamian Condo.

On or about July 28, 2010, the Receiver listed the Bahamian Condo for sale with Bahamas Realty Limited. The Receiver has listed the property for sale in the amount of USD 2.3 million. The Receiver is also offering the Furniture for sale. To date, the Receiver has not received any offers.



The Receiver understands that the real estate market for luxury properties in the Bahamas is currently depressed.

Fort Erie Property

In and around August 2008, Traced Funds totaling approximately USD 606,155 were used by the Principals to purchase a house on 15 acres of land in Fort Erie, Ontario (the "Fort Erie Property"). This amount included the purchase price, related legal fees, land transfer tax and incidental closing costs. On or about May 22, 2009, Traced Funds of approximately USD 17,830 were used by the Principals to purchase a steel building (the "Steel Building") which was placed on the Fort Erie Property. On or about August 31, 2010, the Receiver sold the Fort Erie Property and the Steel Building and received net proceeds in the amount of approximately CAD 360,000. The sale of the Fort Erie Property is more fully described in the Seventh Report.

Exotic Automobiles

As discussed in the June 2010 Notice, Traced Funds totalling USD1,008,893 were used by the Principals to purchase two Ferraris and a Maserati (the "Exotic Automobiles") plus accessories and service. On or about August 6, 2010, the Receiver sold the three Exotic Automobiles and received net proceeds in the amount of approximately USD 265,000. The sale of the Exotic Automobiles is more fully described in the Seventh Report.

Luxury Watches

In May 2008, Traced Funds of USD 181,633 were used by the Principals to purchase two luxury watches (the "Luxury Watches"). As discussed in the June 2010 Notice, the Luxury Watches continue to remain in the possession of the Principals' Bahamian legal counsel. The Principals' challenge to the Bahamian Injunction Order obtained by the Receiver remains outstanding.

Settlements with Massachusetts Mutual Life Insurance Company ("MassMutual")

MassMutual, an insurer which issued two of the policies in the Portfolio, commenced a lawsuit in New York in July 2009 against KPMG Inc. and various parties associated with one of policies, which had a face value of USD 2.5 million ("MassMutual Policy #1"). As described in the June 2010 Notice, the Receiver concluded a settlement with MassMutual whereby the Receiver agreed to rescind MassMutual Policy #1 and MassMutual paid the Receiver a lump sum of approximately USD 103,163.

The Receiver has concluded a similar settlement with MassMutual with respect to the second policy, which has a face value of USD 3 million (MassMutual Policy #2") whereby the Receiver agreed to rescind MassMutual Policy #2 and MassMutual paid the Receiver a lump sum of approximately USD 172,935.

These transactions are described in detail in the Receiver's Fifth Report to the Court dated April 16, 2010 and the Receiver's Sixth Report to the Court, dated June 7, 2010, copies of which are available on the Receiver's website.

Premium Payments on the Portfolio of Policies

The Representative Counsel and the Investor Panel have advised the Receiver that it is in the best interests of the investors to maintain the Portfolio. Accordingly, the Receiver is using the funds on hand to continue to make the minimum premium payments due on the Policies so long as the Receiver has funds available to do so.



The Receiver cautions that, absent the sale of additional Secured Assets or the receipt of a death benefit under one or more of the Policies, there may not be sufficient funds to pay premiums on all of the remaining Policies through the end of 2011. The Receiver continues to monitor its projected cash flows. Prior to making a decision whether to sell or allow one or more of the Policies to lapse, the Receiver will notify Representative Counsel who, in turn, will notify the Investor Panel, and the Receiver will post a notice on the Receiver's website.

Settlement with the OSC

As described in the Receiver's Fourth Report to the Court dated September 2, 2009, on August 7, 2008, Staff of the Ontario Securities Commission ("OSC") issued a Statement of Allegations alleging that the activities of New Life and the Principals breach various provisions of the *Securities Act* (Ontario). On June 23, 2010, Staff of the OSC issued an Amended Statement of Allegations.

On January 18, 2011, the Receiver entered into a Settlement Agreement with Staff of the OSC on behalf of New Life (the "OSC Settlement Agreement") pursuant to which the Receiver agreed, on behalf of New Life, that New Life had breached certain provisions of Ontario securities law and agreed to disgorge the amount of CAD 22,508,784.50 to the OSC in favour of the investors. The Receiver's reasons for entering into the OSC Settlement Agreement are as follows:

- (a) the settlement provides a mechanism for the distribution of funds to the investors in priority to any entitlement that the Principals may have in respect of their ownership of shares of some of the New Life entities. This distribution mechanism is discussed in more detail below; and
- (b) the Receiver would not be required to bear the costs of attending the two week hearing of the Amended Statement of Allegations, which is scheduled in to begin on April 4, 2011.

On January 25, 2011, the OSC made an Order approving the OSC Settlement Agreement (the "January 2011 OSC Order"). Copies of the OSC Settlement Agreement and the January 2011 OSC Order are available on the Receiver's website.

Distribution Mechanism to Investors

The Representative Counsel and the Investor Panel have expressed concerns to the Receiver that the investors may have to share any assets available for distribution to the creditors and investors of New Life with the Principals who also own certain shares of New Life.

The January 2011 OSC Order provides that New Life would disgorge to the OSC the amount of \$22,508,784.50 (the "Disgorged Amount"), being the amount of monies New Life raised from investors by the sale of shares of New Life entities contrary to Ontario securities law (the "Disgorgement Order"). The Receiver is of the view that the Disgorgement Order has the effect of converting the status of the investors from that of shareholder to that of creditor. Accordingly, any distribution of funds made by the Receiver would be made to the investors in their capacity as creditors up to the amount of the Disgorged Amount and any other creditors of New Life before any distribution of funds would be paid to any shareholders of New Life, including the Principals.

In the event that death benefits are paid on the Policies and the Receiver realizes proceeds in excess of the Disgorged Amount, then, pursuant to the OSC Settlement Agreement, Staff of the OSC would apply to the Ontario Superior Court of Justice for relief under Section 128 of the *Securities Act* (Ontario). Section 128 of the *Securities Act* (Ontario) is a broad provision that



would allow the Court to make any Order that the Court considers appropriate against New Life where New Life has breached Ontario securities law. In this instance, Staff of the OSC may seek to:

- 1) have the Principals' shares of New Life cancelled; and/or
- 2) have New Life compensate the investors by way of awarding them damages in excess of the Disgorged Amount.

Additional information with respect to the OSC Settlement and the OSC January 2011 Order will be provided in a report to be filed with the court, sometime later this year. The report will also discuss any applicable next steps with respect to realization efforts.

Contact information for the Receiver is provided on the Receiver's website.

Yours very truly,

**KPMG INC.
COURT APPOINTED RECEIVER AND MANAGER
OF NEW LIFE CAPITAL CORP. ET AL**

Per: Elizabeth Murphy
Vice President