

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

NEW LIFE CAPITAL CORP., NEW LIFE CAPITAL INVESTMENTS INC., NEW LIFE
CAPITAL ADVANTAGE INC., NEW LIFE CAPITAL STRATEGIES INC., 1660690
ONTARIO LTD., 2126375 ONTARIO INC., 2108375 ONTARIO INC., 2126533 ONTARIO
INC., 2152042 ONTARIO INC., 2100228 ONTARIO INC. and 2173817 ONTARIO INC.

Respondents

AFFIDAVIT OF ELIZABETH J. MURPHY
(Sworn November 8, 2011)

I, ELIZABETH J. MURPHY, of the City of Toronto, in the Province of Ontario, make oath and say as follows:

1. I am a Vice-President of KPMG Inc., the Court-Appointed Receiver and Manager (the "Receiver") of the property, assets and undertaking of the Respondents (the "Debtors" or the "Companies") and as such have personal knowledge of the matters hereinafter deposed to. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

2. The Receiver was appointed pursuant to the Orders of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated

December 17, 2008 and March 18, 2009 (collectively referred to hereinafter as, the "Appointment Order"). The appointment was made pursuant to an application by the Ontario Securities Commission ("OSC").

3. For the period October 24, 2008 to September 30, 2011 (the "Applicable Period"), the Receiver has engaged in various activities in connection with the administration of the receivership of the Debtors, including:

(a) **Securing and Preserving the Property/General**

- retaining Thornton Grout Finnigan LLP ("TGF") as the Receiver's independent counsel and ongoing liaising with TGF throughout the receivership;
- correspondence, telephone conversations and meetings with representatives of Aird & Berlis, solicitors for the Debtors and Groia & Co., solicitors for Jeffrey Pogachar and Paola Lombardi, the principals of the Debtors, regarding access to hardcopies and electronic versions of the Debtors' records and issues regarding privilege;
- notification to the Debtors' banker, The Toronto-Dominion Bank ("TD"), to freeze the funds in all of the Debtors' accounts and subsequent instructions to TD to transfer the funds in such accounts to the Receiver's accounts at Royal Bank of Canada ("RBC");
- taking possession of the Companies' offices at 655 Bay Street, Suite 1110, Toronto, Ontario, cataloguing the records and contents and arranging insurance coverage and dealing with the landlord;
- arranging for the imaging of electronic information stored on the Companies' servers and desktop computers;
- notification to Jonathan Berck, trustee of the trusts associated with 14 of the insurance policies (the "Policies") in the Companies' original portfolio (the "Portfolio") and obtaining various information and documents from Mr. Berck, including copies of bank records that he maintained for funds advanced to him by the Companies for payment of premiums;
- notification of the insurers who had issued the Policies in the Portfolio of the Receiver's appointment and of the Receiver's interest in the Policies; and

- further communications with insurers and/or their counsel to ensure recognition of the Receiver's interest as Court-appointed representative of the owner of certain Policies or, with respect to other Policies, as trustee of the trusts designated as the owner of the Policies.
- (b) **Financial Management and Administration**
- establishing and administering the Receiver's bank accounts set up to mirror the Canadian and U.S. dollar accounts operated in the names of the various Debtors, including the preparation of periodic reconciliations and the investment of surplus funds;
- (c) **Dealings with Debtors and Related Entities**
- notifications to the Companies' solicitors: Aird & Berlis LLP, Gowling Lafleur Henderson LLP, Borden Ladner Gervais LLP and the principals' solicitors, Groia & Company; and
 - establishment of a Document Protocol to ensure privilege was preserved.
- (d) **Dealing with Creditors and Shareholders**
- issuance of the Receiver's statutory statement and report to creditors pursuant to s.245(1) and s.246(1) of the *Bankruptcy and Insolvency Act* ("BIA");
 - various telephone conversations and correspondence with shareholders and unsecured creditors;
 - establishment of a website with respect to information on the Companies' receivership which website is accessible to creditors, shareholders and the public;
 - preparation and issuance (including posting on the Receiver's website) of update and cover letters to stakeholders on the following dates:
 - January 21, 2009
 - February 9, 2009
 - March 20, 2009
 - May 14, 2009
 - June 30, 2009
 - February 22, 2010
 - June 1, 2010
 - March 17, 2011; and

- posting periodic notices on the website with respect to the potential lapse of Policies, and the options available, in accordance with the protocol established to deal with such situations (the “Lapsed Policy Protocol”).

(e) **Administration of the Portfolio**

- ongoing communication with insurers to obtain updated information on premiums, cost of insurance, account values and using such information as the basis for preparation of various status reports and projections of cash requirements;
- engaging Proverian Capital LLC (“**Proverian**”) as the Receiver’s consultant to analyze and advise on the Portfolio, including:
 - obtaining updated medical records on the insureds in 2009 and 2011
 - obtaining updated life expectancy reports, illustrations and verifications of coverage in 2009 and 2011
 - preparing estimates of value for the entire Portfolio in 2009 and select Policies in 2011
 - preparing long term premium projections on a monthly basis in 2009
 - conducting monthly searches of the Social Security Death Registry System and reporting to the Receiver on the results of such searches
 - consulting with the Receiver on various matters from time to time
 - assisting the Receiver in establishing and updating a secure data site for use in sales processes;
- periodic payment of premiums.

(f) **Claims Procedure**

- Conducting a claims procedure in accordance with the Order of the Honourable Mr. Justice Newbould dated September 8, 2009 pursuant to which the Receiver’s activities included:
 - preparation of an Investment Statement for each registered shareholder, including the review of records to determine the amount of dividends

paid and the mailing of such Investment Statements to shareholders with proof of claim forms;

- drafting and arranging the publication of an advertisement in the *Globe and Mail* and the *Vancouver Sun* on September 28, 2009;
- reviewing and recording of proofs of claim, the issuance of notices of disallowance where required and various follow-up with claimants.

(g) **Investigation of Companies' Affairs**

- liaising with the Companies' external accountant and bookkeeper and reviewing accounting and corporate tax information received;
- ongoing correspondence with TD to obtain copies of the Companies' banking documents which were missing from the records seized from the Companies' offices, preparing the reconstruction of the Companies' bank accounts to identify receipts and disbursements and follow-up on questionable payments;
- analysis of transactions in Companies' bank accounts and identification of funds transferred to a bank account in the name of Lexington Consulting Inc. ("Lexington") at FirstCaribbean International Bank (Bahamas) Ltd. ("FCIB") in Nassau in The Commonwealth of The Bahamas;
- after issuance of a Norwich Order by the Supreme Court of the Commonwealth of the Bahamas (the "Bahamian Court") dated October 20, 2009, conducting analyses of transactions in Lexington's bank account at FCIB, including transfers of funds from Lexington's account to an account at FCIB in the name of Amarcord International Inc. ("Amarcord"); and
- after issuance of a further Norwich Order by the Bahamian Court dated January 15, 2010, analyzing transactions in the Amarcord bank account, including corresponding with many recipients of funds and obtaining documentation for such recipients to confirm the nature of the transactions and assets purchased.

(h) **Bahamian Legal Proceedings**

- various matters related to legal proceedings initiated by the Receiver in The Commonwealth of The Bahamas, including:

- retaining McKinney, Bancroft & Hughes (“McKinney”) of Nassau as the Receiver’s Bahamian counsel
- assistance with preparation of affidavits and other supporting materials with respect to obtaining Norwich Orders
- numerous conference calls, telephone conversations and emails with representatives of McKinney and TGF regarding Bahamian matters;
- attendance in Nassau to meet with Bahamian counsel, attend at the Bahamian Court, inspect the Bahamian condo and interview prospective real estate brokers to assist in the selection of the broker to be engaged by the Receiver to list the Bahamian condo for sale.

(i) **Investigation and Recovery of Traced Assets**

- obtaining possession of the Bahamian condo and:
 - Arranging access through McKinney and property management personnel
 - Arranging for insurance coverage
 - Arranging periodic payments of property taxes, condo fees, utilities, insurance and cleaning fees
 - Listing the property for sale with Bahamas Realty, ongoing liaising with representatives of Bahamas Realty and arranging extensions of the listing agreement
 - Consideration of offers to purchase the Bahamian condo and assisting counsel in preparation of draft agreements of purchase and sale;
- Investigating the whereabouts of a certain Bahamian bond with a face value of USD 1 million (the “Bahamian Bond”) and:
 - Tracing the Bahamian Bond to EFG Bank & Trust (Bahamas) Ltd. (“EFG”)
 - Arranging with EFG to freeze the Bahamian Bond and transfer the Bahamian Bond and related cash on deposit to a new account at EFG established in the name of the Receiver
 - Engaging EFG’s brokerage arm to sell the Bahamian Bond on the Receiver’s behalf

- Transferring the proceeds of the Bahamian Bond to the Receiver's bank account in Canada;
- Investigating the whereabouts of two Ferraris and one Maserati (collectively, the "Luxury Vehicles") and:
 - Engaging counsel in Florida to assist the Receiver to locate, secure and sell the Luxury Vehicles
 - Locating the Luxury Vehicles at an automobile dealer in Fort Lauderdale and arranging to store the Luxury Vehicles with said dealer
 - Arranging to have the Ontario Ministry of Transport transfer the registered ownership of the Luxury Vehicles into the Receiver's name
 - Commencement of legal proceedings in Florida
 - Obtaining an appraisal of the Luxury Vehicles
 - Conducting a sales process with respect to the Luxury Vehicles
 - Completing a sale of the Luxury Vehicles;
- Investigating the purchase of real estate in Fort Erie, Ontario (the "Fort Erie Property"), including:
 - Taking possession of the Fort Erie Property
 - Obtaining an appraisal
 - Arranging for certain repairs to the Fort Erie Property and insurance coverage
 - Listing of the Fort Erie Property for sale with a real estate broker, ongoing liaising with said broker
 - Consideration of offers received, acceptance of offer and assisting counsel in closing of the transaction.

(j) **Litigation**

- assistance to TGF in responding to litigation commenced in New York against KPMG Inc., the Companies and others by Massachusetts Mutual Life Insurance Company ("MassMutual") with respect to one of two Policies in the Portfolio which was issued by Mass Mutual;
- assistance to TGF in negotiating a settlement with MassMutual of the aforementioned litigation; and

- assistance to TGF in negotiating the rescission of the second MassMutual policy.

(k) **Capital Advantage Program**

- analysis of banking transactions conducted through two bank accounts maintained by New Life Capital Advantage Inc.;
- identification of potential trust funds originating from the investment of one investor in the Capital Advantage Program;
- consultation with counsel and the investor's financial advisor with respect to said trust funds; and
- development of a recommended resolution to the trust funds issue.

(l) **Reporting and Court Applications**

- preparation of and/or assistance to TGF, in the preparation of various Reports to the Court as summarized below, and attending on the related motions:

Reference	Date
First Report	March 12, 2009
Second Report	May 20, 2009
Third Report	May 28, 2009
Fourth Report	September 2, 2009
Fifth Report	April 16, 2010
Sixth Report	June 7, 2010
Seventh Report	August 9, 2010

- preparation of the draft of the Receiver's Eighth Report to the Court which was issued on October 31, 2011.

(m) **Ontario Securities Commission**

- Attendance at certain relevant hearings in respect of the Companies;
- liaising with representatives of the OSC, including various meetings, emails and telephone conversations;
- retaining Heenan Blaikie LLP ("Heenan") as securities counsel to the Receiver to review various issues related to New Life's offerings and to render an opinion related to those issues; and

- negotiating, with the assistance of TGF and Heenan, a settlement agreement with the OSC in connection with the OSC's allegations against the Companies.

(n) **Other**

- ongoing liaising with Representative Counsel and the Investor Panel including meetings, emails and telephone conversations and providing various analyses;
- investigating the backgrounds of certain individuals and entities associated with the Companies;
- dealing with inquiries from investors and financial advisors;
- responding to inquiries from the Royal Canadian Mounted Police (the "RCMP") and various meetings, telephone conversations and emails with representatives of the RCMP;
- dealing with inquiries from former employees and assisting such former employees to make claims for compensation under the *Wage Earner Protection Program Act*; and
- assisting TGF in conducting examinations under oath.

4. Attached hereto and marked as **Exhibit "A"** to this my Affidavit is a summary of the hours and fees charged by the Receiver's staff who have been involved in this matter. Attached hereto and marked as **Exhibit "B"** to this is a summary of the accounts rendered by the Receiver in respect of the Companies' receivership proceedings (the "Accounts") for the Applicable Period along with true copies of the Accounts.

5. During the course of its administration of the Companies' receivership during the Applicable Period, the Receiver's staff, as reflected in **Exhibit "A"** has expended 3,329.8 hours of time resulting in fees in the aggregate amount of \$1,450,542 based on KPMG Inc.'s hourly billing rates which yields an average hourly rate of \$435.62. In addition, the Receiver has incurred out-of-pocket expenses of \$23,727 for travel, postage, courier, legal searches, telephone, printing, scanning and photocopying costs. The dollar amounts referred to in this paragraph are before GST/HST.

6. To the best of my knowledge, the rates charged by the Receiver throughout the course of the Companies' receivership proceedings are comparable to the rates charged by other

large accounting firms in the Toronto market for the provision of similar services and reflect a discount normally provided by KPMG Inc. on engagements initiated by the OSC.

7. I verily believe that the Accounts are fair and reasonable in the circumstances.

8. Attached as Exhibit "B" to the Affidavit of James H. Grout, to be sworn and filed in support of the within motion, is a summary of the accounts rendered by TGF for the period December 9, 2008 to September 30, 2011.

9. Attached as Exhibit "B" to the Affidavit of G. Diane Stewart, sworn and filed in support of the written motion, is a summary of the accounts rendered by McKinney for the period July 21, 2009 to November 7, 2011.

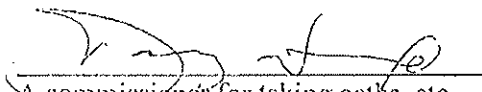
10. TGF and McKinney rendered services throughout the Companies' receivership proceedings in a manner consistent with instructions from the Receiver. I verily believe that the fees and disbursements of TGF and McKinney are fair and reasonable in the circumstances.

11. This Affidavit is sworn in support of the Receiver's motion for approval of its fees, disbursements and activities for the Applicable Period.

SWORN BEFORE ME
at the City of Toronto, in the
Province of Ontario this 8th
day of November, 2011.

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ELIZABETH J. MURPHY


A commissioner for taking oaths, etc.

NEW LIFE CAPITAL CORPORATION ET AL

Receiver and Manager's Summary of Time and Expenses
for the period October 24, 2008 to September 30, 2011

Name	Rate	Billed Hrs.	Billed \$
Partners			
M. Creber	\$640	39.3	\$25,152.00
J. Hunter	\$640	0.6	\$384.00
J. McAuley	\$640	10.2	\$6,528.00
R. Harris	\$640	20.5	\$13,120.00
Associate Partners			
E. Murphy	\$600	549.8	\$329,880.00
R. Castonguay	\$600	0.5	\$300.00
Senior Managers			
J. Bradley Butcher	\$550	1,477.7	\$812,735.00
J. Colton	\$495	9.3	\$4,603.50
S. Horn	\$495	3.0	\$1,485.00
Managers			
M. Schankula	\$350	6.0	\$2,100.00
G. Di Zazzo	\$350	7.0	\$2,450.00
Specialists			
G. Di Zazzo	\$295	65.5	\$19,322.50
Y. Gutmanovitch	\$295	51.2	\$15,104.00
J. Kouri	\$290	88.0	\$25,520.00
E. Wight	\$295	65.3	\$19,263.50
N. Johnston	\$295	1.5	\$442.50
Technicians			
J. Bowers	\$230	107.6	\$24,748.00
N. Johnston	\$230	20.7	\$4,761.00
A. Rzhovsky	\$230	292.8	\$67,344.00
A. Singels-Ludvik	\$230	219.7	\$60,531.00
S. Windrim	\$230	6.5	\$1,495.00
S. Zive	\$230	0.5	\$115.00
Administrative	\$81	286.6	\$23,158.00
Total		3,329.8	\$1,460,542.00
Average Rate			\$435.62
Add Out of Pocket Costs including:			
The Printing House - photocopying / scanning			\$9,014.60
Transportation / parking			\$1,629.09
Canada Post - redirection of mail			\$345.00
Citilogistics (postage)			\$4,536.07
Background checks			\$700.00
McRoberts Legal Service - searches			\$1,448.24
Miscellaneous			\$407.44
Courier charges			\$314.60
Telephone			\$161.47
Airfare, lodging, meals			\$5,170.72
Total Expenses			\$23,727.23
TOTAL - Pre GST / HST			\$1,474,269.23
GST/HST			97,306.79
TOTAL			\$1,571,576.02

NEW LIFE CAPITAL CORP. ET AL
(In Receivership)

Summary of KP&G's Receiver and Manager Invoices
for the period October 24, 2008 to September 30, 2011

Invoice Number	Invoice Date	Period Relates To	Fees	Disb.	Total Prior to GST / HST	GST / HST	TOTAL	Status
43330920	19-Feb-09	October 24 to December 31, 2008	\$50,537.00	\$70.84	\$50,607.84	\$2,530.39	\$53,138.23	Paid
43340254	27-Feb-09	January 2009	106,918.50	547.04	107,465.54	5,373.28	112,838.82	Paid
43396327	23-Apr-09	February 2009	65,108.50	3,943.38	69,051.88	3,452.59	72,504.47	Paid
43396315	23-Apr-09	February 2009 (Advantage Program)	\$4,485.00	\$0.00	\$4,485.00	\$234.25	\$4,709.25	Paid
43420355	11-May-09	March 2009	83,875.50	4,186.09	88,061.59	4,403.08	92,464.67	Paid
43434182	22-May-09	April 2009	48,504.00	2,201.43	50,705.43	2,535.27	53,240.70	Paid
43482751	13-Jul-09	May 2009	57,705.00	192.57	57,897.57	2,894.88	60,792.45	Paid
43510728	20-Aug-09	June 2009	69,224.00	759.25	69,983.25	3,499.16	73,482.41	Paid
43521216	1-Sep-09	July 2009	64,287.50	-	64,287.50	3,214.38	67,501.88	Paid
43563430	28-Oct-09	August 2009	57,434.00	252.70	57,686.70	2,884.34	60,571.04	Paid
43575748	16-Nov-09	September 2009	93,808.50	-	93,808.50	4,690.43	98,498.93	Paid
43590147	8-Dec-09	October 2009	57,198.50	4,182.00	61,380.50	3,069.03	64,449.53	Paid
43644356	17-Feb-10	November 2009	51,667.00	1,686.00	53,353.00	2,667.65	56,020.65	Paid
43651213	25-Feb-10	December 2009	28,997.00	58.00	29,055.00	1,452.75	30,507.75	Paid
43662937	10-Mar-10	January 2010	66,328.50	6.00	66,334.50	3,316.73	69,651.23	Paid
43708763	22-Apr-10	February 2010	70,762.50	26.76	70,789.26	3,539.47	74,328.73	Paid
43724732	6-May-10	March 2010	62,731.50	2,386.69	65,118.19	3,250.91	68,269.10	Paid
43728288	10-May-10	April 2010	51,248.50	257.80	51,506.30	2,575.32	54,081.62	Paid
43803968	22-Jul-10	May 2010	44,438.50	2,882.79	47,321.29	2,366.07	49,687.36	Paid
43804001	29-Jul-10	June 2010	20,537.00	17.37	20,554.37	1,027.72	21,582.09	Paid
43828617	30-Aug-10	July 2010	29,941.00	19.27	29,960.27	3,894.84	33,855.11	Paid
43838184	10-Sep-10	August 2010	19,181.00	59.57	19,240.57	2,501.27	21,741.84	Paid
43868475	15-Oct-10	September 2010	7,876.00	-	7,876.00	1,023.88	8,899.88	Paid
43899099	30-Nov-10	October 2010	3,599.00	12.68	3,611.68	469.52	4,081.20	Paid
44022616	18-Apr-11	November and December 2010	15,388.00	-	15,388.00	2,000.44	17,388.44	Paid
44049888	11-May-11	January to March 2011	23,689.00	-	23,689.00	3,079.57	26,768.57	Paid
44058250	13-May-11	April 2011	39,090.00	-	39,090.00	5,081.70	44,171.70	Paid
44083266	9-Jun-11	May 2011	34,454.00	16.00	34,470.00	4,481.10	38,951.10	Paid
44112358	14-Jul-11	June 2011	17,057.50	13.00	17,070.50	2,219.17	19,289.67	Paid
Total Paid			\$1,346,072.00	\$23,677.23	\$1,369,749.23	\$83,719.19	\$1,453,468.42	
44204583	26-Oct-11	July 2011	\$52,017.00	\$9.00	\$52,026.00	\$6,763.38	\$58,789.38	Outstanding
44204654	26-Oct-11	August 2011	30,020.00	19.00	30,039.00	3,905.07	33,944.07	Outstanding
44204670	26-Oct-11	September 2011	22,433.00	22.00	22,455.00	2,919.15	25,374.15	Outstanding
Total Outstanding			\$104,470.00	\$50.00	\$104,520.00	\$13,587.60	\$118,107.60	
Combined Total			\$1,450,542.00	\$23,727.23	\$1,474,269.23	\$97,306.79	\$1,571,576.02	

**DETAILED ACCOUNT STATEMENTS TO BE SEALED BY
COURT ORDER**

ONTARIO SECURITIES COMMISSION

Applicant(s)

NEW LIFE CAPITAL CORP., et al

Respondent(s)

Court File No.: 08-CL-7832

ONTARIO
**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

AFFIDAVIT OF ELIZABETH J. MURPHY

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Manager of New Life Capital Corp., et al