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## NOTICE TO CAPITAL ADVANTAGE INVESTORS

October 31, 2011

Dear Sir or Madam:

**New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc. (“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. (collectively, “New Life” or the “Companies”)**

KPMG Inc. was appointed as the Receiver and Manager (together, the “Receiver”) of the property, assets and undertakings of the Companies pursuant to Orders of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) dated December 17, 2008 and March 18, 2009 (the “Court”) (the “Appointment Order”). The Appointment Order and additional information with respect to the Receivership are available on the Receiver’s website which can be accessed, by an internet search, at [KPMG CreditorLinks](http://KPMG CreditorLinks).

We are writing to advise that the Receiver has scheduled a motion before the Court returnable November 14, 2011 to address several issues, including one matter which relates directly to the Capital Advantage Program.

The Companies’ records indicate that you were a participant in the Capital Advantage Program and/or you have filed a proof of claim in the ongoing receivership proceedings before the Court.

Under the terms of the Capital Advantage Program, investors, in return for their investment amount, were to receive preferred shares (with the exception of one instance where common shares were issued) in a private Ontario company (one of the numbered Companies, excluding 1660690 Ontario Ltd., hereinafter referred to as the “21 Companies”). The 21 Companies include 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc. and 2173817 Ontario Inc. Each of the 21 Companies was to be assigned a partial beneficial interest in a life insurance policy for which the insured was to have a qualifying life expectancy. The premiums were to be continued on the policies and investors would recoup their investment after the maturity of the policy in which their 21 Company held a beneficial interest.

Based on the Receiver’s review to date, although it had only a few participants, the Capital Advantage Program was generally implemented in accordance with the Receiver’s understanding



of how the program was intended to operate. However, as the Receiver described in its Fourth Report to the Court dated September 2, 2009, there was an exception where one particular investor's funds were not invested pursuant to the Capital Advantage Program.

One investor (the "2173819 Investor") advanced \$200,000 to New Life in March 2008. Those funds were deposited to Advantage Inc.'s bank account on March 27, 2008. As far as the Receiver has been able to determine, such funds were still in Advantage Inc.'s bank account when the Receiver seized all of the Companies' bank accounts at The Toronto-Dominion Bank in December 2008. While the 2173817 Investor did receive preferred shares in 2173817 Ontario Inc. ("2173817"), that entity, to the best of the Receiver's knowledge: (i) was never assigned a beneficial interest in an insurance policy; and, (ii) has no assets. Accordingly, after reviewing this matter and after consulting with its legal counsel, the Receiver is recommending to the Court that the 2173817 Investor's claim be treated as a trust claim and that the Receiver be authorized by the Court to pay the sum of \$180,000 to the 2173817 Investor in full satisfaction of its claim against the Companies. The Receiver has calculated the recommended payment of \$180,000 by deducting from the original \$200,000 investment the amount of \$10,000 on account of the commission paid by New Life to the financial advisor who facilitated the transaction; and, a further amount of \$10,000 to defray the costs incurred by the Receiver and its counsel in dealing with this matter. Additional information regarding the Receiver's recommendation is presented in the Receiver's Eighth Report to the Court dated October 31, 2011 (the "Eighth Report"). A copy of that report is available on the aforementioned website.

We are writing to all of the Capital Advantage Program investors to advise of the Receiver's proposed resolution of the 2173817 Investor's claim.

Also set out in the Eighth Report is the Receiver's analysis of the Companies' cash position, including the limited amounts available to pay premiums on policies, and the implications for the Companies' investors in the event that sufficient funds are not available to pay the premium payments due on the policies.

Should you have any concerns or comments about the Receiver's recommendation, please contact the Receiver (by email @ [bbutcher@kpmg.ca](mailto:bbutcher@kpmg.ca)) or Representative Counsel (by email @ [kmcelcheran@mccarthy.ca](mailto:kmcelcheran@mccarthy.ca)).

Yours very truly,

**KPMG INC.**  
**Court Appointed Receiver and Manager of**  
**New Life Capital Corp. et al**

Per: J. Bradley Butcher  
*Vice President*