

APPENDIX “F”

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

- and -

**IN THE MATTER OF NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC., NEW LIFE CAPITAL
ADVANTAGE INC., NEW LIFE CAPITAL STRATEGIES INC.,
and 1660690 ONTARIO INC.**

**DIRECTION
Section 126(1)(a)**

**TO: The Manager
TD Canada Trust
Branch 2492
20 Main Street East
Grimsby, Ontario
L3M 1M9
ph. 905-945-9256**

TAKE NOTICE THAT pursuant to paragraph 126(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to retain under your control or safekeeping all funds, securities or property which you may have on deposit in accounts in the name of or under the control of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc. and/or 1660690 Ontario Inc. including those bearing account numbers:

7302679	7302830	7302687
5209755	5209747	5209496
5209771	5208406	5209763

and hold them until the Ontario Securities Commission in writing revokes or varies this Direction or consents to release a particular fund, security or property from this Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Direction may be served by fax or courier to the last known address of the parties named in this Direction in the records of TD Canada Trust.

DATED at Toronto this 6th day of August, 2008.

“David Wilson”

APPENDIX “G”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

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

- AND -

**IN THE MATTER OF NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC., NEW LIFE CAPITAL
ADVANTAGE INC., NEW LIFE CAPITAL STRATEGIES INC.,
1660690 ONTARIO LTD., L. JEFFREY POGACHAR,
PAOLA LOMBARDI AND ALAN S. PRICE**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (the "Commission") make the following allegations:

New Life

1. The corporate respondents, together, make up New Life. New Life consists of New Life Capital Corp. ("NLC"), New Life Capital Investments Inc. ("NLI"), New Life Capital Advantage Inc. ("NLA") (and its private Ontario corporation subsidiaries), New Life Capital Strategies Inc. ("NLS") and 1660690 Ontario Inc. ("1660690").
2. New Life has divided responsibility among its various corporate entities: NLC is a holding company which owns the other corporate entities; NLI sells shares and holds a pool of life settlements; NLA sells shares and has a number of subsidiaries which each hold one or more specific life settlements; NLS "sources" or finds life settlements for investment; and 1660690 serves an administrative purpose in connection with NLI's life settlements.

Principals

3. New Life has three principals: L. Jeffrey Pogachar ("Pogachar"), Paola Lombardi ("Lombardi") and Alan S. Price ("Price"). Pogachar and Lombardi are married to each other.

4. Pogachar is registered with the Commission as a trading officer for NLC. NLC has designated Pogachar its compliance officer. Pogachar is not registered with the Commission in any other capacity or with any other corporate entity.
5. Lombardi is registered with the Commission as a trading officer for NLC. Lombardi is not registered with the Commission in any other capacity or with any other corporate entity.
6. Price is not registered with the Commission in any capacity.

Corporate Entities

7. NLC was incorporated in Ontario on November 7, 2005. Its directors are Pogachar and Lombardi. NLC registered with the Commission as a limited market dealer ("LMD") on July 30, 2007. NLC has never sold a security and does not carry on any active operations, although from time to time it pays expenses related to its subsidiaries.
8. NLI was incorporated in Ontario on December 22, 2005. NLI is not registered with the Commission in any capacity. NLI's directors are Pogachar, Lombardi and Price. NLI is a subsidiary of NLC. NLI sells its class A common shares to investors by way of an Offering Memorandum. Its business activities consist of raising capital and investing in life settlements sold by U.S. residents.
9. NLA was incorporated in Ontario on December 19, 2005. It is a subsidiary of NLC. NLA is not registered with the Commission in any capacity. Its directors are Pogachar and Lombardi. Its business activities consist of raising capital through newly formed subsidiary private Ontario corporations and investing in life settlements sold by U.S. residents through those subsidiaries.
10. NLS was incorporated in Ontario on January 4, 2006. NLS is not registered with the Commission in any capacity. NLS's directors are Pogachar and Lombardi. NLS is a subsidiary of NLC. Its business activities consist of "sourcing" life insurance policies suitable for investment through use of U.S. brokerage systems or financial planners, and by soliciting sales directly from seniors.
11. 1660690 was incorporated in Ontario on July 29, 2005. It is a subsidiary of NLI. It is not registered with the Commission in any capacity. Its directors are Pogachar and Lombardi. 1660690 purchases the life insurance policies making up NLI's portfolio of life settlements and makes the premium payments on those policies. Generally, 1660690 owns the policies and NLI is named as beneficiary.

Course of Conduct Perpetrating a Fraud

12. New Life and its officers and directors have engaged or participated in acts, practices or courses of conduct relating to securities that they knew or reasonably ought to have

known perpetrated a fraud on investors, contrary to section 126.1 of the *Securities Act*, R.S.O. 1990, C. s.5, as amended (the "Act") by:

- (a) declaring and paying amounts purporting to be dividends in the absence of any profit or retained earnings, thereby in fact returning capital to investors on an undisclosed basis;
- (b) failing to disclose to investors that payments purporting to be dividends are actually returns of capital, and that their invested funds may be used for the purpose of making purported dividend payments; and
- (c) failing to disclose to investors the use of investors' funds for personal rather than business purposes.

Dividends

- 13. During the period from January 1, 2007 to January 31, 2008 (the "Review Period"), New Life paid NLI shareholders an amount purported to be an 8% annual dividend, at a rate of 2% per quarter. In particular, NLI's directors (Pogachar, Lombardi and Price) declared dividends for class A common shares in the amount of at least \$280,330.60 and paid \$197,570.60 in respect of those dividends.
- 14. NLI did not earn any profit or have any retained earnings over the Review Period. The only funds received by NLI during that period were those paid by investors for the purchase of their shares. More generally, NLI has not to date earned any profit whatsoever. The earliest date on which one of NLI's life settlements is expected to mature, and that NLI might therefore realize any profit based on business operations as they currently stand, is sometime in 2012.
- 15. Without any profit or retained earnings, it was not possible for NLI to declare or pay a legitimate dividend. Payments to shareholders have been, instead, an undisclosed return of capital.
- 16. New Life has not disclosed to investors that the payments purporting to be dividends were in fact drawn from investors' own capital, or that their invested funds would be used for that purpose.

Use of Funds for Personal Purposes

- 17. Over the review period, nearly \$700,000 of New Life funds collected from investors was disbursed in the form of shareholder loans (to Pogachar and Lombardi).
- 18. In addition to the shareholder loans, Pogachar and Lombardi charged over CAD 900,000 to their VISA credit cards. During the Review Period, New Life made payments in the

total amount of CAD 714,146.50 against that credit card debt. Pogachar and Lombardi, however, admitted that only approximately CAD 300,000 of the total CAD 900,000 was spent for business purposes.

19. No documents or directors' authorizations exist in respect of the shareholder loans or credit card debt, nor is there any evidence of security for the payments.

Misleading or Untrue Statements

20. New Life and its officers and directors have made statements that they know or reasonably ought to know were in a material respect misleading or untrue and would reasonably be expected to have a significant effect on the value of a security, being shares in New Life and/or its subsidiaries.
21. The NLI Offering Memoranda include references to past dividends, despite the fact that any such payments were not legitimate dividends. In addition, New Life marketing materials promise that yearly dividends attach to NLI shares, despite NLI not having any profit nor anticipation of profit for some years to come.
22. Such representations constitute misleading and/or untrue statements and make NLI shares more valuable.

Trading Without Registration or Prospectus - Shares of Issuer

23. Although NLC is registered with the Commission as an LMD, there is no evidence that NLC has ever traded in securities.
24. NLI sells shares of its own issue. It markets those shares publicly and sells them to investors in Ontario and elsewhere in Canada. More than 220 investors bought units pursuant to NLI's Offering Memorandum between 2006 and early 2008, at least 17 of whom are residents of Ontario. NLI is not registered under the Act to trade in securities and has never filed a prospectus with the Commission.
25. NLA sells shares of its newly formed subsidiary private Ontario corporations. It markets those shares publicly and sells them to investors on incorporation of each new subsidiary. A new subsidiary is incorporated for each unique investment, to hold a specific life settlement (as opposed to the pooled life settlements held by NLI). NLA is not registered under the Act to trade in securities and has never filed a prospectus with the Commission.
26. NLI and NLA purport to rely on the accredited investor and minimum amount investment exemptions for the purpose of selling without registration or a prospectus. There are investors in NLI who do not qualify for the exemption requirements and there is insufficient evidence to confirm whether any or all of NLA's investors properly qualify.

Advising Without Registration - Investor Funds

27. NLS and Pogachar (as NLS's representative) provide portfolio management and investment advice services to NLI and NLA in respect of their portfolios of life settlements purchased with investor funds. NLS "sources" or finds insurance policies that will be suitable for investment by NLI and NLA, makes decisions about when to purchase the policies and advises on how to maintain them once purchased.
28. NLS and Pogachar are "market intermediaries" and the activities of NLS and Pogachar are "in the business of advising". As such, they require registration in the categories of investment counsellor and portfolio manager for the purpose of managing the portfolio of life settlement investments.

Conduct Contrary to the Public Interest

29. The activities of the respondents, as the respondents knew or reasonably ought to have known, perpetrated a fraud on investors, contrary to section 126.1 of the Act.
30. Statements made by the respondents were misleading or untrue and would reasonably be expected to have a significant effect on the value of a security, contrary to section 126.2 of the Act.
31. The activities of the respondents constituted trading in securities without registration in respect of which no exemption was available, contrary to section 25 of the Act.
32. The activities of the respondents constituted distributions of securities for which no preliminary prospectus and prospectus were issued or received by the Director, contrary to section 53 of the Act.
33. The respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.

Dated at Toronto this 7th day of August, 2008.

APPENDIX “H”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

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

- and -

IN THE MATTER OF

**L. JEFFREY POGACHAR, PAOLA LOMBARDI,
ALAN S. PRICE, NEW LIFE CAPITAL CORP., NEW LIFE CAPITAL INVESTMENTS
INC., NEW LIFE CAPITAL ADVANTAGE INC., NEW LIFE CAPITAL STRATEGIES
INC., 2126375 ONTARIO INC., 2108375 ONTARIO INC., 2126533 ONTARIO INC.,
2152042 ONTARIO INC., 2100228 ONTARIO INC., 2173817 ONTARIO INC., AND
1660690 ONTARIO LTD.,**

**AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

I. OVERVIEW

1. The Respondents, L. Jeffrey Pogachar ("Pogachar") and Paola Lombardi ("Lombardi"), perpetrated a fraud upon investors. Between 2005 and 2008, they incorporated New Life Capital Corp. ("NLCC"), New Life Capital Investments Inc. ("NLCI"), New Life Capital Advantage Inc. ("NLCA"), New Life Capital Strategies Inc. ("NLCS"), 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc., and 2173817 Ontario Inc. ("the Numbered Companies"). In July, 2005, Pogachar incorporated 1660690 Ontario Ltd. ("1660690"). These companies (collectively the "corporate Respondents") were created to carry on business in the life settlements industry. The life settlements industry involves the purchase of life insurance policies from policy holders. Upon the purchase of the policy, the purchaser becomes entitled to the benefits paid under the policy as well as being responsible for the payment of the premiums. The purchaser's profit equals the amount of the benefit paid under

the policy upon the death of the insured less the amount paid for the life settlement including the amount paid in premiums.

2. From 2006 to 2008, Pogachar and Lombardi caused certain of the corporate Respondents to issue and sell their securities to the public. Approximately \$22 million was raised from the sale of these securities. These funds were to be used in carrying on business including purchasing life settlements and paying premiums on policies.

3. Each of the Respondents engaged in trades or engaged in acts in furtherance of the trades of these securities.

4. In order to entice investors to purchase these securities, Pogachar and Lombardi caused one of the corporate Respondents to pay dividends to investors. These dividends were paid using funds from the sale of securities and not from profits earned from carrying on business.

5. The funds raised from investors were not used exclusively for the purpose of carrying on business. Instead, Pogachar and Lombardi used certain of these funds for their own personal purposes.

6. As directors and officers of the corporate Respondents, Pogachar and Lombardi authorized, permitted or acquiesced in the breaches of Ontario securities law by the corporate Respondents.

7. As a director of NLCI, Alan S. Price ("Price") authorized, permitted or acquiesced in the breach of Ontario securities law by NLCI.

II. THE RESPONDENTS

(a) The individual Respondents

8. Pogachar and Lombardi were and are married to each other. They were directors and officers of the corporate Respondents at all material times. Pogachar and Lombardi were registered with the Commission as the trading officers of NLCC since July 30, 2007. Neither of them has been registered with the Commission with any other entity in any other capacity.

9. Price is a lawyer. He was a director of NLCI from December 22, 2005 until he resigned on November 27, 2008.

(b) The corporate Respondents

10. NLCC is a holding company which owns, directly or indirectly, the other corporate Respondents. NLCC does not carry on any active operations, although from time to time it paid expenses related to its subsidiaries. It was incorporated in Ontario on November 7, 2005. NLCC registered with the Commission as a limited market dealer on July 30, 2007. Investor money flowed to it from NLCI.

11. NLCI issued and sold its securities to the public and purchased life insurance policies from US residents. It was incorporated in Ontario on December 22, 2005. It is a subsidiary of NLCC. NLCI has never been registered with the Commission in any capacity.

12. NLCA and the Numbered Companies issued and sold their securities to the public and purchased life insurance policies from US residents. NLCA was incorporated in Ontario on December 19, 2005. It is a subsidiary of NLCC. The Numbered Companies were incorporated on various dates between 2006 and 2008. NLCA and the Numbered Companies have never been registered with the Commission in any capacity.

13. NLCS sourced life insurance policies through use of US brokerage systems or financial planners. It was incorporated in Ontario on January 4, 2006. It is a subsidiary of NLCC. NLCS has never been registered with the Commission in any capacity. NLCS did not issue and sell its own securities. Investor money, however, flowed to it from NLCI.

14. 1660690 served an administrative purpose in connection with NLCI's insurance policies. Either 1660690 or NLCI purchased the life insurance policies making up NLCI's portfolio of life settlements and made the premium payments on those policies. Generally, 1660690 owns the policies and NLCI is named as beneficiary. 1660690 was incorporated in Ontario on July 29, 2005. It is a subsidiary of NLCI. It has never been registered with the Commission in any capacity. Investor money flowed to it from NLCI.

III. OTHER RELEVANT ENTITY

Lexington Consulting Inc.

15. In August 2005, Pogachar and Lombardi incorporated Lexington Consulting Inc. (“Lexington”) in Nassau in the Commonwealth of the Bahamas. Pogachar and Lombardi are Lexington’s sole shareholders and are the only authorized signatories to Lexington’s bank account at FirstCaribbean International Bank (Bahamas) Ltd. (“FirstCaribbean”) in the Bahamas. The stated purpose for Lexington was to facilitate personal wealth building for Pogachar and Lombardi.

IV. THE ALLEGATIONS

16. Staff specifically allege that:

- (a) The Respondents, Pogachar and Lombardi, perpetrated a fraud on investors by using funds raised from the sale of securities for their own personal purposes contrary to section 126.1(1)(b) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended (the “Act”);
- (b) Each of the Respondents traded securities without being registered to trade securities in accordance with Ontario securities law contrary to section 25(1)(a) of the Act;
- (c) The Respondents, Pogachar and Lombardi, being officers and directors of the corporate Respondents, authorized, permitted or acquiesced in the breaches of Ontario securities law by the corporate Respondents contrary to section 129.2 of the Act; and,
- (d) The Respondent Price, being a director of NLCI, authorized, permitted or acquiesced in the breach of Ontario securities law by NLCI contrary to section 129.2 of the Act.

V. PARTICULARS

Pogachar and Lombardi perpetrated fraud on investors

17. Pogachar and Lombardi had sole signing authority over the bank accounts of the corporate Respondents. Pogachar and Lombardi used the money in these bank accounts which had been raised from investors from the sale of securities for their own personal purposes.

(a) Pogachar and Lombardi transfer funds to Lexington

18. Between October 2007 and July 2008, Pogachar and Lombardi caused over US\$6.5 million to be transferred from bank accounts of the corporate Respondents in Toronto to Lexington's bank account at FirstCaribbean in the Bahamas.

19. Pogachar and Lombardi used these funds for personal purposes, including transferring the funds to a second holding company and purchasing luxury cars, real estate in the Caribbean and Ontario and various personal effects.

(b) Shareholder Loans to Pogachar and Lombardi

20. The amounts of approximately CAD 1.1 million and USD 43,500 were paid to Pogachar and Lombardi, together, in the form of shareholder loans.

21. These shareholder loans were never repaid.

(c) Payment of Pogachar and Lombardi Credit Card Debt

22. NLCC and NLCI, together, paid \$1.1 million of credit card debt on personal Royal Bank of Canada VISA credit cards held by Pogachar and Lombardi.

Trading without registration

23. In February 2006, NLCI began issuing class A common shares to investors by way of an Offering Memorandum. NLCI continued selling shares until August 6, 2008.

24. NLCI marketed its shares publicly and sold them to investors in Ontario and elsewhere in Canada. Through the sale and distribution of its shares, NLCI raised more than \$21 million from approximately 600 investors in Canada.

25. NLCA and the Numbered Companies sold shares of the Numbered Companies from at least as early as April, 2006, until August 6, 2008. They marketed those shares publicly and sold them to investors on incorporation of each new subsidiary. A new subsidiary was incorporated for each unique insurance policy to hold a specific policy (as opposed to the pooled life settlements held by NLCI). NLCA and the Numbered Companies raised over \$600,000 from approximately ten investors in Canada.

26. NLCI, NLCA and the Numbered Companies were market intermediaries as defined in section 204(1) of the Regulation to the Act, as it was in force from 2006 to 2008. Exemptions from registration requirements were not available to market intermediaries. As such, NLCI, NLCA and the Numbered Companies were required to be registered to trade in securities.

27. Pogachar and Lombardi engaged in acts in furtherance of trades of securities of NLCI, NLCA and the Numbered Companies and Price engaged in acts in furtherance of trades of NLCI, and, as a result, were required to be registered in accordance with Ontario securities law to trade in those securities.

28. Through their actions, all of the corporate Respondents engaged in trades or in acts in furtherance of trades in the securities of NLCI and the Numbered Companies.

Declaration of Dividends without Earnings

29. Despite having no profit or retained earnings, NLCI's directors (Pogachar, Lombardi and Price) declared dividends for NLCI's class A common shares in the amount of at least \$1,106,660.61 and paid out at least \$670,000 in respect of those dividends.

30. Without any profit or retained earnings, NLCI did not have any funds other than its stated capital and any amounts declared as dividends were in fact paid out of that stated capital.

Pogachar, Lombardi and Price liable as directors and officers

31. At all material times, Pogachar and Lombardi were directors and officers of the corporate Respondents. They authorized, permitted or acquiesced in the breaches of Ontario securities law by the corporate Respondents. At all material times, Price was a director of NLCI. He authorized, permitted or acquiesced in the breach of Ontario securities law by NLCI.

Conduct Contrary to Ontario Securities Law and the Public Interest

32. By their actions, the Respondents breached Ontario securities law and acted contrary to the public interest.

Dated at Toronto this 23rd day of June, 2010.

APPENDIX “I”



ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

THE HONOURABLE
JUSTICE CAMPBELL

)
) TUESDAY, THE 12TH DAY
) OF AUGUST, 2008
)

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., and 1660690 ONTARIO LTD.**

Respondents

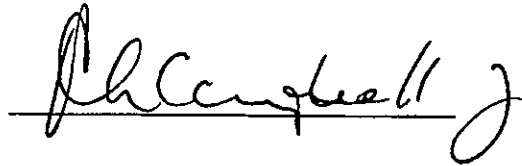
APPLICATION UNDER
Section 126(5) of the *Securities Act*

ORDER

THIS APPLICATION made by the Ontario Securities Commission (the "Commission") for an order confirming effective service of this Application and an order pursuant to section 126(5) of the *Securities Act*, R.S.O. 1990, c. S.5 continuing the Direction to TD Canada Trust issued by the Commission on August 6, 2008 and varied on August 11, 2008 was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of Stephanie Collins sworn August 7, 2008 and on hearing the submissions of counsel for the parties,

1. **THIS COURT ORDERS** that the time for the service and filing of this Notice of Application is abridged such that service on the Respondents on August 8, 2008 constitutes effective service.
2. **THIS COURT ORDERS** that the Direction to TD Canada Trust (Branch 2492, at 20 Main Street East in Grimsby, Ontario) issued by the Commission on August 6, 2008 and varied August 11, 2008, attached hereto as Schedule "A", shall continue, as varied or revoked by the Commission, until final resolution of this matter by the Commission or further order of this Court.

A handwritten signature in black ink, appearing to read "J. Campbell", written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 12 2008

PER/PAR: 

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

- and -

IN THE MATTER OF NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC., NEW LIFE CAPITAL
ADVANTAGE INC., NEW LIFE CAPITAL STRATEGIES INC.,
and 1660690 ONTARIO INC.

VARIED DIRECTION
Section 126(1)(a), (7)

TO: The Manager
TD Canada Trust
Branch 2492
20 Main Street East
Grimsby, Ontario
L3M 1M9
ph. 905-945-9256

TAKE NOTICE THAT pursuant to paragraph 126(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to retain under your control for safekeeping all funds, securities or property which you may have on deposit in accounts in the name of or under the control of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc. and/or 1660690 Ontario Inc. (collectively the "Respondents") including those bearing account numbers:

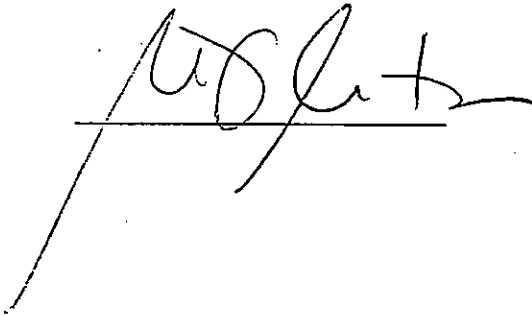
7302679	7302830	7302687
5209755	5209747	5209496
5209771	5208406	5209763

and hold them until the Ontario Securities Commission in writing revokes or varies this Direction or consents to release a particular fund, security or property from this Direction or until the Ontario Superior Court of Justice orders otherwise, except that you may release a total of \$87,743.54 from the funds, securities or property at the request of the Respondents.

AND TAKE FURTHER NOTICE THAT this Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Direction may be served by fax or courier to the last known address of the parties named in this Direction in the records of TD Canada Trust.

DATED at Toronto this 11th day of August, 2008, as varying this Direction first dated August 6th, 2008.

A handwritten signature in black ink, appearing to be "W. J. L. T.", is written over a horizontal line. A long, thin diagonal line extends downwards and to the left from the end of the signature.

COURT FILE NO. CV-08-7677-00CL

ONTARIO SECURITIES COMMISSION
Applicant

- AND -

NEW LIFE CAPITAL CORP.
Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

ORDER

Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, ON M5H 3S8

Susan Kushneryk
Litigation Counsel
Enforcement
LSUC #45702F

Tel: 416-595-8782

Fax: 416-593-2319

E: skushneryk@osc.gov.on.ca

APPENDIX “J”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) THURSDAY, THE 4TH DAY
JUSTICE COLIN L. CAMPBELL) OF JUNE, 2009

B E T W E E N:



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

ORDER

THIS MOTION made by KPMG INC., in its capacity as the Court-appointed Receiver and Manager (the "Receiver"), without security, of all the property, assets and undertaking of the Respondents for the relief set out in its Notice of Motion dated May 20, 2009 herein was heard this day at 330 University Avenue, in the City of Toronto.

UPON READING the Second Report of the Receiver dated May 20, 2009 (the "Second Report"), upon hearing the submissions of counsel for the Receiver and upon being advised of the consent of Kevin McElcheran to act as the Representative Counsel (hereinafter defined):

1. **THIS COURT ORDERS** that Kevin McElcheran of the law firm McCarthy Tetrault LLP be and he is hereby appointed as representative counsel (the "Representative Counsel") to represent the interests of persons who purchased preferred or common shares in the capital stock of one or more of the Respondents excluding Jeffrey Pogachar and Paola Lombardi (the "Investors") for the sole purpose of advising the Investors in respect of the realization plan being developed by the Receiver in respect of the Respondents' portfolio of 22 life insurance policies or life settlements (the "Mandate").

2. **THIS COURT ORDERS** that, in fulfilling the Mandate, the Representative Counsel:

- (a) may consult with individual Investors but shall not be obligated to follow the instructions of nor provide opinions to individual Investors;
- (b) may consult with and provide his views to the Receiver;
- (c) shall act in the best interest of the Investors as a whole and take such necessary and appropriate actions and steps as the Representative Counsel deems fit from time to time; and
- (d) shall incur no liability or obligation as a result of his appointment or the carrying out of the provisions of this Order save and except for any gross negligence or wilful misconduct on his part.

3. **THIS COURT ORDERS** that the Representative Counsel be and he is hereby authorized to delegate his duties hereunder to members of the law firm McCarthy Tetrault LLP to assist the Representative Counsel in fulfilling his duties as Representative Counsel, which members of McCarthy Tetrault LLP shall be entitled to rely upon the provisions of this Order as if they were the Representative Counsel.

4. **THIS COURT ORDERS** that the Representative Counsel be and he is hereby granted leave to apply to this Court for advice and direction with respect to carrying out the Mandate upon notice to the Receiver and the Service List.

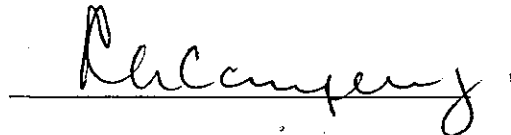
5. **THIS COURT ORDERS** that any expenditure or liability which shall be properly made or incurred by the Representative Counsel, including the fees and disbursements of the Representative Counsel incurred at the rates to be agreed upon by the Representative Counsel and the Receiver, shall be allowed to him in passing his accounts and shall form a first charge on the Property (as defined in the Order of this Honourable Court dated December 17, 2008) (the "Appointment Order") ranking pro rata and pari passu with the Receiver's Charge (as defined in the Appointment Order).

6. **THIS COURT ORDERS** that the Representative Counsel shall pass his accounts from time to time and, for this purpose, the accounts of the Representative Counsel are referred to a Judge of the Commercial List of the Ontario Superior Court of Justice.

7. **THIS COURT ORDERS** that, prior to the passing of the accounts of the Representative Counsel, the Receiver shall be at liberty from time to time to pay reasonable amounts out of the monies in its hands against the fees and disbursements of the Representative Counsel and such amount shall constitute an advance against his remuneration and disbursements when and as approved by this Court.

8. **THIS COURT ORDERS** that the activities of the Representative Counsel shall be restricted to fulfilling the Mandate.

9. **THIS COURT ORDERS** that the Receiver's activities as described in the Second Report are hereby approved.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 04 2009

PER/PAR: 

ONTARIO SECURITIES COMMISSION
Applicant

NEW LIFE CAPITAL CORP., et al
Respondents

and

Court File No.: 08-CL-7832

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced in Toronto

ORDER

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Solicitors for KPMG Inc., in its capacity as the
Receiver and Manger of New Life Capital
Corp., et al

APPENDIX “K”

1. **THIS COURT ORDERS** that this motion is properly made without notice.
2. **THIS COURT ORDERS** that the Receiver is hereby authorized to trace and attempt to recover any and all funds that were transferred by New Life to Lexington Consulting Inc. (“**Lexington**”), a company incorporated pursuant to the laws of the Commonwealth of The Bahamas, including, without limitation, the approximately USD \$3 million that was transferred by New Life to Lexington’s accounts with FirstCaribbean International Bank (Bahamas) Limited (“**FirstCaribbean**”) located in Nassau, Bahamas (the “**Transferred Funds**”).
3. **THIS COURT ORDERS** that the Receiver is hereby authorized to apply for and, if obtained, enforce a Norwich Order in the Commonwealth of The Bahamas against FirstCaribbean in respect of the Transferred Funds (the “**Norwich Order**”).
4. **THIS COURT ORDERS** that the Receiver is hereby authorized to provide any undertaking in damages, security for costs or indemnity in connection with the Norwich Order in favour of FirstCaribbean that may be required by any court of law in the Commonwealth of The Bahamas or as agreed to between the Receiver and FirstCaribbean.
5. **THIS COURT ORDERS** that the Receiver is hereby authorized to take any and all such further and other steps that the Receiver believes, in its sole discretion, are appropriate and necessary to recover the Transferred Funds including, without limitation, commencing other proceedings in the Commonwealth of The Bahamas or any other jurisdiction for any relief in respect of the Transferred Funds.
6. **THIS COURT ORDERS** that the Receiver is hereby authorized, in its sole discretion, to abandon its proceeding for a Norwich Order in the Commonwealth of The Bahamas or any other proceeding commenced by the Receiver in the Commonwealth of The Bahamas or any other jurisdiction for any relief in respect of the Transferred Funds, if the court of law in the Commonwealth of The Bahamas or any other jurisdiction requires any undertaking in damages, security for costs or indemnity that is in excess of the value of the assets of New Life’s estate or if the Receiver, in its sole discretion, deems it to be unreasonable.
7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere

including, without limitation, the Commonwealth of The Bahamas to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All such courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

8. **THIS COURT ORDERS** that the within motion record and this Order are hereby sealed pending further Order of this Honourable Court.

9. **THIS COURT ORDERS** that, notwithstanding the foregoing paragraph 8, the Receiver is authorized to disclose the within motion record and this Order to any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere including, without limitation, the Commonwealth of The Bahamas, for the purposes of giving effect to this Order and assisting the Receiver and its agents in carrying out the terms of this Order.

10. **THIS COURT ORDERS** that any other interested person may apply to this Court to vary or rescind this order or seek other relief on seven days' written notice to the Receiver and to any other person likely to be affected by the order sought, or on such other notice as this Court may order, provided that nothing in this section shall act to extend any applicable appeal period.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 18 2009

PER / PAR: 

ONTARIO SECURITIES COMMISSION

and

NEW LIFE CAPITAL CORP. et al.

Applicant

Respondents

Court File No.: 08-CL-7832

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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and Manager of New Life Capital Corp. et al.

APPENDIX “L”

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

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

**FOURTH REPORT TO THE COURT
SUBMITTED BY KPMG INC.
AS RECEIVER AND MANAGER**

September 2, 2009

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- Appendix F - Second Report of the Receiver dated May 20, 2009
- Appendix G - Order of the Ontario Superior Court of Justice (Commercial List) dated May 29, 2009
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1. Introduction

1.1 Appointment of Receiver

- 1.1.1 Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated December 17, 2008 (the “Appointment Order”), KPMG Inc. was appointed Receiver and Manager (“Receiver”) of all of the undertaking, property and assets (the “Property”) of New Life Capital Corp. (“Capital Corp.”), New Life Capital Investments Inc. (“Investments Inc.”), New Life Capital Advantage Inc. (“Advantage Inc.”), New Life Capital Strategies Inc. (“Strategies Inc.”), 1660690 Ontario Ltd., 2126375 Ontario Inc. (“2126375”), 2108375 Ontario Inc. (“2108375”), 2126533 Ontario Inc. (“2126533”), 2152042 Ontario Inc. (“2152042”) and 2100228 Ontario Inc. (“2100228”) (collectively, the “Initial Companies”). A copy of the Appointment Order, which sets out the powers of the Receiver, is attached hereto as **Appendix A**. The Ontario Securities Commission (“OSC”) made the application for the appointment of the Receiver pursuant to Section 129 of the *Securities Act* (Ontario) (the “Act”). New Life did not oppose the application.
- 1.1.2 Pursuant to the Order of the Honourable Mr. Justice Campbell dated March 18, 2009 (the “March 18 Order”), the Appointment Order was amended to add 2173817 Ontario Inc. (“2173817”) as a Respondent to this proceeding and to include all of its undertaking, property and assets in the receivership. A copy of the March 18 Order is attached hereto as **Appendix B**. The Initial Companies and 2173817 are collectively referred to as the “Companies” or “New Life”. 2126375, 2108375, 2126533, 2152042, 2100228 and 2173817 are collectively referred to as the “Advantage Companies”.
- 1.1.3 Since August 6, 2008, the Companies, except for the Advantage Companies, have been subject to certain restrictions imposed by Orders issued by the OSC. Those restrictions include:
- (a) a prohibition on the sale of further shares, as varied pursuant to an Order dated August 15, 2008 at the request of the principals of the Companies allowing them to trade securities in their own personal accounts (the “Temporary Cease Trade Order”); and
 - (b) a freeze of the Companies’ bank accounts, as varied pursuant to certain Orders at the request of the Companies allowing the release of specific funds to pay certain administrative and legal expenses (the “Freeze Order”).
- 1.1.4 The Orders issued by the OSC were made after the OSC had received evidence compiled by Staff at the OSC (“OSC Staff”) during the course of OSC Staff’s investigation of New Life’s business and affairs.
- 1.1.5 The OSC has continued the Temporary Cease Trade Order and this Honourable Court has continued the Freeze Order.

1.1.6 The OSC Staff issued a Statement of Allegations dated August 7, 2008 (the "Statement of Allegations") alleging that the Companies' activities breached various provisions of the Act. This matter is discussed in more detail in section 1.3.

1.2 Background to Receivership

1.2.1 New Life is in the life settlement business. It raised funds from investors to invest in life insurance policies through two alternative programs – the New Life Capital Investments program (the "Investments Program") and the Capital Advantage program (the "Advantage Program"). Through various subsidiaries, New Life promoted itself as offering investment and wealth preservation opportunities.

1.2.2 The principal assets of the Companies are (i) cash on deposit in the aggregate amount of approximately \$1.943 million as at September 1, 2009; and (ii) a portfolio of 22 life insurance policies or life settlements with a total face value of approximately U.S. \$83 million (the "Policies" or "Portfolio").

1.2.3 Each of the Companies is an Ontario private corporation and, except for the Advantage Companies, was incorporated in 2005 and 2006. The corporate structure of the Companies is presented in **Appendix C**.

1.2.4 The principals of New Life are Jeffery Pogachar ("Pogachar") and Paola Lombardi ("Lombardi"). Pogachar and Lombardi are spouses. Pogachar is the President and/or CEO of each of the Companies.

The primary entities in the New Life group are summarized below:

Entity	Owned by	Business Purpose
Capital Corp.	<ul style="list-style-type: none"> • Lombardi and Pogachar 	<ul style="list-style-type: none"> • Holding company • Limited Market Dealer (“LMD”)
Investments Inc.	<ul style="list-style-type: none"> • Class A Shares held by the Class A Investors • Class B common shares held by Capital Corp. 	<ul style="list-style-type: none"> • Raising capital through the sale of Class A Shares • Acquiring the insurance policies
Advantage Inc.	<ul style="list-style-type: none"> • Capital Corp. 	<ul style="list-style-type: none"> • Promoting and administrating the Advantage Program
Strategies Inc.	<ul style="list-style-type: none"> • Capital Corp. 	<ul style="list-style-type: none"> • Sourcing life settlements
1660690 Ontario Ltd.	<ul style="list-style-type: none"> • Investments Inc. 	<ul style="list-style-type: none"> • Designated as owner and/or beneficiary of certain life insurance policies
Advantage Companies	<ul style="list-style-type: none"> • Common shares held by Advantage Inc. and preferred shares held by Advantage Investors (except for 2100228) 	<ul style="list-style-type: none"> • Investment vehicles for the Advantage Program • Designated beneficiaries of certain life insurance policies

1.2.5 Capital Corp. is registered under Ontario securities law as a LMD. Pogachar and Lombardi own all of the shares of Capital Corp.

1.2.6 Investments Inc. administered the Investments Program and raised funds by the sale of its Class A common shares (the “Class A Shares”) to the public. Based on information currently available to the Receiver, it appears that Investments Inc. raised approximately \$22 million through the sale of Class A Shares to approximately 600 investors in Canada (the “Class A Investors”). Investments Inc. sold the Class A Shares pursuant to an Offering Memorandum (“OM”) commencing in 2006 and continuing until August 2008. Investments Inc. is not a reporting issuer and is not registered with the OSC. According to the OM, Investments Inc. sold the Class A Shares pursuant to the accredited investor exemption from the prospectus requirements of Section 53 of the Act. Investments Inc. pooled the funds raised from the sale of Class A Shares to purchase life insurance policies.

1.2.7 The Receiver understands that the Advantage Companies were established to be used in connection with the Advantage Program. New Life promoted the Advantage Program as offering investors the opportunity to indirectly participate in one life insurance policy. The Receiver understands that New Life raised approximately \$638,400 from the sale of preferred shares of the Advantage Companies (except for 2100228, in which case it sold common shares) to investors (the “Advantage Investors” and collectively with the Class A Investors, the “Investors”).

1.2.8 Pursuant to the Advantage Program, the Advantage Companies were designated as partial beneficiaries of three of the Policies.

1.3 The Statement of Allegations

1.3.1 The Statement of Allegations summarizes the concerns identified by the OSC Staff in the course of their investigation of New Life’s affairs and business practices. Such concerns lead to the making of the Temporary Cease Trade Order and the Freeze Order and eventually to the OSC Staff’s application for the appointment of the Receiver. A copy of the Statement of Allegations is attached hereto as **Appendix D**.

1.3.2 In summary, pursuant to the Statement of Allegations, the OSC Staff alleges that New Life:

- perpetrated a fraud on investors, contrary to Section 126.1 of the Act, by:
 - a) declaring and paying amounts purporting to be dividends in the absence of any profit or retained earnings, thereby in fact returning capital to investors on an undisclosed basis;
 - b) failing to disclose to investors that payments purporting to be dividends are actually returns of capital, and that their invested funds may be used for the purpose of making purported dividend payments; and
 - c) failing to disclose to investors the use of investors’ funds for personal rather than business purposes;
- made misleading or untrue statements, contrary to Section 126.2 of the Act, in particular, the OM included references to past dividends, despite the fact that any such payments were not legitimate dividends. In addition, pursuant to its marketing materials, New Life promised yearly dividends on the Class A Shares despite not having any profit or anticipation of profit for some years to come;
- traded in securities without registration or complying with the prospectus requirements of the Act; and
- provided portfolio management and investment advice without registration.

1.3.3 OSC Staff made the application for the appointment of the Receiver. That application was supported by, amongst other things, the affidavit of Stephanie Collins dated November 7, 2008 (the "Collins Affidavit"). Ms. Collins is a Senior Forensic Accountant in the Investigations Group in the Enforcement Branch of the OSC. Ms. Collins was directly involved in OSC Staff's investigation of New Life.

1.3.4 In the Collins Affidavit, Ms. Collins states, among other things, that:

- OSC Staff have determined that, with possibly a few minor exceptions, New Life will not have sufficient operating capital to meet its obligations until the earliest date on which any of New Life's insurance policies are expected to mature; and
- "it appears that the New Life portfolio of insurance policies is not currently being managed. Staff are concerned that New Life's life insurance policies are at risk of going into default as a result of a lack of management by New Life, including payment of premiums. Given that New Life's investors have an interest in these assets, the management of the assets should be undertaken by an independent party appointed by the Court".

1.4 First Report to the Court

1.4.1 The background to the receivership, a description of the business and corporate structure of the Companies and the Receiver's initial activities are outlined in the Receiver's First Report to the Court dated March 12, 2009 (the "First Report"), a copy of which (without schedules) is attached hereto as **Appendix E**.

1.4.2 The First Report provided the evidentiary basis for the March 18 Order:

- approving the activities of the Receiver from the date of its appointment to the date of its First Report;
- authorizing the Receiver to return two uncashed cheques and one uncashed bank draft in the possession of the Receiver to parties who purported to subscribe for shares in one or more of the Companies;
- authorizing the Receiver to add the additional investors who completed applications and remitted funds to the Companies for the purchase of units but who did not receive share certificates and were not included on the Companies' shareholder register (the "Unprocessed Investors") to the Receiver's mailing list of investors in one or more of the Companies for the purposes of dissemination of information;
- amending the Appointment Order to add 2173817 as a Respondent and to include all of its undertaking, property and assets in the receivership;

- authorizing the Receiver, in its discretion, to issue and proceed with one or more Applications for a Bankruptcy Order against one or more of the Companies on a consolidated basis or otherwise;
- authorizing the Receiver to consent to, on behalf of the Companies, the making of one or more Bankruptcy Orders against some or all of the Companies on a consolidated basis or otherwise, once the Applications for a Bankruptcy Order have been issued; and
- directing the Official Receiver, in the event that the Receiver obtains one or more Bankruptcy Orders against some or all of the Companies on a consolidated basis, to open one estate file and assign one estate file number for each consolidated bankruptcy.

1.5 Second Report to the Court

1.5.1 The Second Report of the Receiver dated May 20, 2009 (the “Second Report”) provided an evidentiary basis for:

- an Order on May 29, 2009 (the “May 29 Order”) approving the Consulting Agreement dated April 22, 2009 (the “Consulting Agreement”) entered into by the Receiver with Proverian Capital, LLC (“Proverian”), authorizing and directing the Receiver to carry out the terms of the Consulting Agreement and approving the Receiver’s activities as described in the Second Report; and
- an Order on June 4, 2009 (the “June 4 Order”) appointing Kevin McElcheran of the law firm McCarthy Tetrault LLP as representative counsel (the “Representative Counsel”) to represent the interests of the Investors for the sole purpose of advising the Investors in respect of the realization plan being developed by the Receiver in respect of the Policies.

1.5.2 A true copy of the Second Report (without schedules), the May 29 Order and the June 4 Order are attached hereto as **Appendices “F”, “G” and “H”**, respectively.

1.6 Third Report to the Court

1.6.1 The Receiver issued its Third Report to the Court on May 28, 2009 (the “Third Report”). The purpose of the Third Report was to:

- update the Court on the Receiver’s activities, primarily with respect to administrative matters, since the date of the First Report; and
- present the Receiver’s Statements of Receipts and Disbursements for the period December 17, 2008 to May 27, 2009.

1.6.2 A true copy of the Third Report (without schedules) is attached hereto as **Appendix “I”**.

1.7 Purpose of This Report to the Court

1.7.1 The purpose of this Fourth Report to the Court (the "Fourth Report") is to provide an evidentiary basis for an Order of this Honourable Court:

- approving the Document Delivery Protocol dated August 5, 2009;
- approving the Receiver's Statements of Receipts and Disbursements for the period December 17, 2008 to September 1, 2009 as presented in **Appendices N and O** of this Fourth Report;
- approving a realization plan with respect to the Advantage Policies (as defined in section 5.1) as presented herein;
- approving a realization plan with respect to the Investments Policies (as defined in section 5.1) as presented herein;
- approving a claims process to identify the Investors and creditors of the Companies including the amounts owing to each creditor and the net amount invested by each Investor; and
- approving the Receiver's activities as described in the Third Report and this Fourth Report.

1.8 Terms of this Fourth Report

1.8.1 The Receiver has relied upon information and records available from the Companies 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 the Companies. 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.

1.8.2 The Receiver believes that disclosure in this public document of certain sensitive information could possibly be prejudicial to the Receiver's efforts to maximize recoveries for the stakeholders. Accordingly, the Receiver has prepared a Supplemental Fourth Report to this Court (the "Supplemental Report"). The Supplemental Report will be filed with the court only. The Receiver is requesting that the Supplemental Report be sealed until further Order of this Honourable Court. The Supplemental Report will contain amongst other things, a copy of the Proverian Report (as defined in section 6.3) and the Complaint (as defined in section 2.8)

1.8.3 This Report does not address the extent to which New Life did or did not comply with regulatory requirements, including Canadian securities regulatory requirements, when offering its financial products and services to the Investors.

- 1.8.4 When disclosing information to New Life's stakeholders, including the Investors, the Receiver needs to strike a balance between providing stakeholders with as much information as possible to support the Receiver's realization plan with respect to the Policies and the risk that disclosing certain information publicly may prejudice realization values for the the Policies. In addition, confidential information about the insureds covered by the Policies cannot be publicly disclosed. Some of this confidential information such as the age, health and life expectancy of the insured, is an important factor in the valuation of a life settlement policy.
- 1.8.5 All references are to Canadian dollars unless otherwise noted. Certain information set out in earlier reports is reported herein for ease of reference.

2. Receiver's Recent Activities

2.1 Premises and Contents

- 2.1.1 As noted in the Third Report, prior to vacating New Life's head office premises at 655 Bay Street, Suite 1110, Toronto, Ontario, the Receiver entered into an agreement with a liquidator to remove the contents (office equipment, computer equipment and furniture) from the premises and to sell same on the Receiver's behalf on a consignment basis. That sale process has been completed and resulted in net proceeds of \$8,322.

2.2 Privilege Issues

- 2.2.1 As noted in the First Report, the Receiver was engaged in discussions with Groia & Company ("Groia"), Pogachar's and Lombardi's legal counsel, and Aird & Berlis LLP, the Companies' corporate counsel, regarding either (i) a waiver from Pogachar and Lombardi of the Companies' claims to solicitor-client privilege; or (ii) a privilege protocol to govern the review, identification and segregation of privileged communications contained in the Companies' records.
- 2.2.2 Subsequent to the Receiver's appointment, on or about December 2008 and January 2009, KPMG Forensic Technology Services ("KPMG Forensics") imaged all of New Life's desktop computers and server, totaling approximately 16 machines (the "Imaged Documents"). On or about June and July 2009, the Receiver searched the Imaged Documents for accounting and financial records supporting cash flows, banking transactions and documents relating to the purchase of the Policies. In addition to the foregoing, the Receiver's intention was also to determine the time frame of the information contained on New Life's server and whether any information that was deleted or overwritten could be recovered.
- 2.2.3 At this time, KPMG Forensics supplied the Receiver with the following:
- a list of deleted files;
 - a CD containing copies of emails;
 - a hard drive containing copies of the following folders:
 - a) Accounts (all files with .pls extensions);
 - b) Archived Emails;
 - c) Group Shares with subfolders Account Executive Admin, Accounts, Business Development, Executive, Human Resources, Library, Public and Shared Executive;
 - d) Plus 11 (including the software for MYOB); and

e) Private Shares with subfolders plombardi and jpogachar.

- 2.2.4 With respect to the list of deleted files, the Receiver has been advised by KPMG Forensics that any information that was deleted or overwritten on the server cannot be recovered.
- 2.2.5 With respect to the CD containing copies of emails, the Receiver reviewed the dates of the emails and the issuer/recipient of the emails to determine if they were emails with various legal counsel and accordingly, possibly subject to claims of solicitor-client privilege. The Receiver reviewed some emails (excluding ones likely to be subject to claims of solicitor-client privilege) to determine if the emails were likely to include information relevant to the Receiver's mandate.
- 2.2.6 With respect to the information contained on the hard drive, the Receiver reviewed the names of the folders, subfolders and files. Where the folder name, subfolder name or file name indicated that the files may relate to banking information, financial statements and transactions around the Policies, the Receiver performed a selective cursory review of some of the files and determined that it would like to perform a more detailed review. From its review of the names of folders, subfolders and files, the Receiver determined that there may be some files that may be subject to claims of solicitor-client privilege. The Receiver did not review the Archived Emails.
- 2.2.7 Given the Receiver's foregoing review, the Receiver determined that it was imperative that it enter into a privilege protocol with Groia to govern the Receiver's review of the Imaged Documents. By email dated July 17, 2009, ThorntonGroutFinnigan LLP ("TGF"), the Receiver's legal counsel, advised Groia of the Receiver's review of the Imaged Documents as outlined above.
- 2.2.8 Subsequently, TGF and Groia negotiated a Document Delivery Protocol, which was finalized on August 5, 2009 (the "Document Delivery Protocol"). A copy of the Document Delivery Protocol is included herein as **Appendix J**.
- 2.2.9 The Document Delivery Protocol establishes procedures for the Receiver, with the assistance of KPMG Forensics, to search the Imaged Documents, segregate those documents that may be subject to a claim of solicitor-client privilege or spousal privilege and provide those documents to Groia for review.
- 2.2.10 KPMG Forensics has conducted initial searches of the Imaged Documents and has provided directly to Groia certain documents which may be subject to claims of privilege. Groia is in the process of reviewing these documents and ascertaining its clients' position on whether such documents are indeed privileged. Pursuant to the Document Delivery Protocol, Groia is to advise the Receiver with respect to its clients' assertion of privilege within two (2) weeks from the date the documents were delivered to Groia. Given the voluminous amount of documents that was provided to Groia, on or about August 19, 2009, Groia requested and the Receiver agreed to a 2-week extension of Groia's review period.

2.2.11 KPMG Forensics also conducted searches of the Imaged Documents pursuant to key words provided by the Receiver. KPMG Forensics provided to the Receiver various documents identified by the key word searches, which documents did not overlap the potential privileged documents. The Receiver's review of the documents is ongoing.

2.3 Efforts to Obtain Assistance from Principals

2.3.1 In the First Report, the Receiver advised that it understood that Pogachar and Lombardi left Canada prior to the receivership and the date of their return was uncertain. Further, the Receiver advised that the Receiver requires additional information regarding New Life's assets and operations and the Receiver believes that Pogachar and Lombardi would have vital information that may be beneficial to the Receiver.

2.3.2 In the First Report, the Receiver advised that TGF had been in contact with Groia regarding arrangements to conduct, via video conference, examinations under oath of Pogachar and Lombardi pursuant to the powers afforded the Receiver under paragraph 3(t) of the Appointment Order. Subsequent to the First Report, Groia advised TGF that Pogachar and Lombardi were not willing to participate in examinations by video conference.

2.3.3 In the Third Report, the Receiver reported that on or about April 8, 2009, Groia advised TGF that Pogachar and Lombardi would consider any specific written inquiries from the Receiver explaining the areas of New Life's business with which it was seeking Pogachar's and Lombardi's assistance. Without waiving any of its rights pursuant to the aforementioned paragraph 3(t), the Receiver submitted an initial series of questions but no response has been received. TGF has continued to follow up with Groia but has still received no reply.

2.3.4 As far as the Receiver is aware, Pogachar and Lombardi are still residing outside of Canada. Groia has not provided any information on their whereabouts.

2.4 Books and Records

2.4.1 In the First Report, the Receiver detailed its extensive efforts to obtain the Companies' books and records.

2.4.2 As noted in the previous Reports, OSC Staff held certain of the Companies' records, including documents the OSC Staff believed could be subject to a claim of solicitor-client privilege by the Companies.

2.4.3 Also as noted in the First Report, the Receiver has been working with the OSC Staff to ensure that the Receiver obtains copies of all relevant records in its possession. In the Third Report, the Receiver advised that the OSC Staff was in the process of seeking an Order pursuant to Section 17 of the Act authorizing the release to the Receiver of documents which were obtained by the OSC Staff pursuant to Part VI of the Act. That Order was issued by the OSC on May 29, 2009 and the OSC staff provided certain records to the Receiver on June 1, 2009.

The OSC has advised the Receiver that the documents still in the OSC's possession constitute only a few pages.

- 2.4.4 The Receiver's review of the various Company records in its possession, including those released to the Receiver by the OSC on June 1, 2009, is ongoing. The Receiver has also requested copies of various banking documents from The Toronto-Dominion Bank, New Life's banker. The Receiver's analysis of New Life's banking transactions is focused on disbursements that: (i) purportedly related to the acquisition of the Policies and any other life settlements; and (ii) were made to Pogachar and Lombardi.

2.5 Communication with New Life's Stakeholders

- 2.5.1 In the First Report, the Receiver advised that it had:

- established a dedicated telephone line and a dedicated email address to receive inquiries from stakeholders; and
- established a website at www.kpmg.ca/en/ms/cl/newlifecapital (the "Website"), which the Receiver intends to update with copies of further correspondence to the Investors, the Receiver's Reports, motion records, further Orders of this Honourable Court as well as any other documents the Receiver considers relevant.

- 2.5.2 Since the First Report, the Receiver has updated the Website from time to time as new documents became available. Further, the Receiver continues to receive, and respond to, queries received from Investors and other stakeholders including through the above-referenced dedicated telephone line and email address.

- 2.5.3 On June 30, 2009, the Receiver posted a Notice to Stakeholders – Status Update on the Website advising of the appointment of Representative Counsel and advising that the Receiver would consult with the Representative Counsel in developing a realization plan for the Policies, which it anticipated reporting on in July 2009. A copy of this notice is attached hereto as **Appendix K**.

- 2.5.4 On August 1, 2009, the Receiver posted a further update to stakeholders advising that the Receiver received Proverian's report on the analysis and valuation of the Policies, was in the process of consulting with the Representative Counsel and would report on the realization plan with respect to the Policies shortly. A copy of such notice is attached hereto as **Appendix L**.

2.6 Unprocessed Investors

- 2.6.1 The most recent available shareholder register of Investments Inc. reflected a total of 538 Class A Investors, with 3,876,378 Class A Shares outstanding, as at the date of the register, June 5, 2008 (the "June Shareholder List"). The Unprocessed Investors are not included in the June Shareholder List. For ease of reference, the "Unprocessed Investors" are purchasers of Class A shares of Investments Inc., who completed applications and remitted funds to the

Companies for the purchase of units but who did not receive share certificates prior to the appointment of the Receiver and were not included on the June Shareholder List.

- 2.6.2 Pursuant to the March 18 Order, this Honourable Court authorized the Receiver to add any known Unprocessed Investors to the Receiver's mailing list of Investors. Accordingly, the Receiver's mailing list of Investors includes all Investors from the June Shareholder List and the Unprocessed Investors (the "Investor Mailing List").
- 2.6.3 As advised in the First Report, on or about February 2009, the Receiver obtained a box of unprocessed Subscription Agreements from Aird & Berlis LLP. Based on this information, the Receiver added approximately 73 Unprocessed Investors to the Investor Mailing List (the "February 2009 List").
- 2.6.4 The Receiver has continued to investigate if there are any other unknown Unprocessed Investors. The Receiver wrote to all known investment advisors associated with New Life's Investments Program and Advantage Program on April 3, 2009 asking the investment advisors to provide lists of their clients who had completed a Subscription Agreement and remitted funds to New Life. In addition, the Receiver contacted Canadian Western Trust ("CWT"), who appears to be the trustee for most of the registered investments in the Class A Shares, and asked CWT to provide the Receiver with a list of CWT's clients who had advanced funds to New Life for the acquisition of Class A Shares. The Receiver has compared the information received from the investment advisors and CWT to the June Shareholder List and the February 2009 List and has updated the Investors Mailing List for investors not appearing on either list.
- 2.6.5 In order to ensure that the Receiver's records are complete with respect to the claims of all Investors and creditors, the Receiver recommends that a formal claims process be implemented as outlined in section 11.

2.7 Administration of the Portfolio

- 2.7.1 The Receiver has continued to administer the Portfolio, including making premium payments only when essential to prevent a Policy from lapsing. Further information on premium payments made by the Receiver is presented in section 4.
- 2.7.2 The Receiver has liaised with the insurers when necessary, including in the context of assisting Proverian to obtain information needed for its review of the Portfolio. The execution of Proverian's mandate is discussed in section 6 hereof.

2.8 Litigation

- 2.8.1 On August 26, 2009, the Receiver obtained a copy of a Complaint filed in the United States District Court for the Eastern District of New York on July 15, 2009 (the "Complaint"). The Plaintiff under the complaint is one of the insurers who issued one of the Policies. The Defendants include the insured under that specific policy along with certain other parties, including KPMG Inc. The

Complaint does not specify that KPMG Inc. is a Defendant in its capacity as the Receiver. Further, KPMG Inc. has not been formally served with the Complaint. The Receiver has discussed the Complaint on a preliminary basis with its counsel.

- 2.8.2 The Receiver is not aware of any attempt by the Plaintiff to obtain leave of this Honourable Court, as required by paragraph 11 of the Appointment Order, to commence an action against the Receiver. The Receiver intends to notify the Plaintiff that leave is required.
- 2.8.3 A copy of the Complaint will be provided to the Court in the Supplemental Report.
- 2.8.4 The Complaint contains serious allegations against the insured and certain relatives of the insured, including misrepresentation and fraud in connection with the application for coverage and subsequent transaction with New Life. In addition to the involvement of KPMG Inc. as a Defendant, the Complaint raises other issues which could impact the New Life receivership including that: (i) the insurer will resist paying the death benefit under the Policy that is directly referenced in the Complaint; and (ii) the insurer alleges that there was misconduct associated with certain of the other Policies.

3. Representative Counsel

3.1 The Appointment of Representative Counsel

- 3.1.1 In the Second Report, the Receiver explained why, in its view, there was a need to appoint a Representative Counsel. Pursuant to the June 4 Order, Kevin McElcheran was appointed as Representative Counsel for the sole purpose of advising the Investors in respect of the realization plan being developed by the Receiver in respect of the Policies.
- 3.1.2 The Receiver has been advised by the Representative Counsel that while the provision of confidential information concerning the Policies and the reports of the Receiver's advisors is helpful to Representative Counsel, it is the view of Representative Counsel that at least some Investors should be permitted to review the information on a confidential basis to assist the Receiver and Representative Counsel in assessing the Realization Plan and the results of any marketing plan for the Policies. Accordingly, Representative Counsel has advised the Receiver that he intends to bring a motion for the appointment of a small panel of investors (the "Investor Panel") to assist the Representative Counsel in assessing the business options that will arise through the implementation of the Realization Plan from the point of view of Investors.
- 3.1.3 When disclosing information to New Life's stakeholders, including the Investors, the Receiver needs to strike a balance between providing stakeholders with as much information as possible to support the Receiver's realization plan and the risk that disclosing certain information publicly may prejudice realization values for the Policies. In addition, confidential information about the insureds covered by the Policies cannot be publicly disclosed. Some of this confidential information, such as the age, health and life expectancy of the insured, are important factors in the valuation of a life settlement policy.
- 3.1.4 The Receiver and the Representative Counsel entered into a confidentiality agreement as of July 10, 2009. A copy of the confidentiality agreement is included as **Appendix M** to this Report. The confidentiality agreement provides, amongst other things, that, while the Representative Counsel will have access to confidential information in the Receiver's possession, the Representative Counsel is not permitted to disclose to the Investors any information that is not otherwise disclosed to the stakeholders by the Receiver.

3.2 Consultation Regarding Recommended Realization Plan

- 3.2.1 The Receiver has provided to the Representative Counsel, amongst other things, a draft and the final version of the Proverian Report. The Receiver met with the Representative Counsel on July 8, 2009. The Receiver participated in a conference call with the Representative Counsel and members of Proverian's team on July 30, 2009 to review the Representative Counsel's comments on the

draft Proverian Report and to discuss potential alternative approaches to realization on the Portfolio.

- 3.2.2 The Representative Counsel was provided with a draft of this Report. The Representative Counsel has advised the Receiver that he does not object to the Receiver's Realization Plan (as defined in section 7.1) and the Receiver should seek the Court's approval thereof. The Receiver's Realization Plan with respect to the Policies is outlined in sections 8 and 9 of this Report. However, Representative Counsel has advised the Receiver that he also considers the appointment of the Investor Panel to be an important step that should be taken at this time. The Representative Counsel recommends that the Investor Panel include up to five volunteers, selected by Representative Counsel intended to be as representative as possible, including taking into consideration the location of the Investor, the size of the investment and whether the investor is an Advantage Investor or Class A Investor. The Investor Panel will not include any Investors who also sold any investments in New Life. Any meetings would be by telephone or in person as determined by Representative Counsel. The purpose of the Investor Panel is to provide non-binding input to the Representative Counsel as to the implementation of the Realization Plan set out in the Fourth Report. The members of the Investor Panel would receive the same confidential information concerning the Policies and the Realization Plan that Representative Counsel has received on the same confidentiality terms and only for the purpose of performing their role as members of the Investor Panel. Any Investors who participate on the Investor Panel will waive their rights to potentially purchase some or all of the Policies.

4. Receiver's Financial Position

4.1 Statements of Receipts and Disbursements

4.1.1 The Receiver's Combined Statements of Receipts and Disbursements for the period December 17, 2008 to September 1, 2009 are attached hereto as **Appendix N** (Canadian dollar accounts) and **Appendix O** (U.S. dollar accounts). These statements indicate total funds on hand of CDN \$572,262.37 and USD \$1,234,926.06. Based on an exchange rate of 1 USD = 1.11 CDN, the Receiver estimates the combined total of cash to be CDN \$1,943,030.30 as at September 1, 2009.

4.1.2 In summary, the funds under the Receiver's control at Royal Bank of Canada as at September 1, 2009, are:

New Life Entity	Canadian Dollar	U.S. Dollar
Reference	Appendix N	Appendix O
Capital Corp.	8,7241.19	
1660690 Ontario Ltd.	2,545.18	230.47
Investments Inc.	25,513.20	41,369.45
Advantage Inc.	321,945.31	
Advantage Inc. – in trust	8,547.03	
Strategies Inc.	126,470.46	1,193,326.14
Total	572,262.37	1,234,926.06

4.1.3 The premium payments due on the Policies are in U.S. dollars and accordingly, the Receiver believes it is reasonable for it to continue to hold funds in U.S. dollars.

4.1.4 The Receiver is not aware of the any legal or business purposes for the manner in which the Companies allocated funds between their various accounts. In particular, the Receiver is not aware of why there is in excess of approximately \$1.8 million CDN, on a combined basis, in the accounts of Strategies Inc.

4.1.5 The Receiver's disbursements to date have been primarily limited to payment of premiums due on certain Policies, occupancy costs for New Life's premises, draws for the professional fees of the Receiver and TGF, as authorized by paragraph 21 of the Appointment Order, and payment of Proverian's fees. The professional fees relate to services provided to July 2009.

5. Ownership of the Policies

5.1 Purchase of Policies

- 5.1.1 Based on the information available to the Receiver, the Receiver believes that New Life purchased an interest in the Policies. The owners of record vary among a set of owner trusts and certain of the Companies. For ease, the "Policies" or "Portfolio" consist of 22 life insurance policies or life settlements with a total face value of approximately U.S. \$83 million. A life settlement is a transfer of an ownership interest in a life insurance policy to a third party for compensation. The third party then makes any required premium payments and either: (i) holds the policy until the death of the insured at which time the third party, or a beneficiary designated by the third party, receives the death benefit under the policy; or, (ii) the third party re-sells the policy to another third party. A number of legal issues surround any life settlement transaction that may affect the value of the policy.
- 5.1.2 All of the Policies purchased by New Life were issued by life insurance companies based in the U.S. and all of the Policies insure the lives of U.S. residents. There is a significant life settlement industry in the U.S. As life insurance in the U.S. is regulated on a state-by-state basis, legislation governing the life settlement industry varies between states. In Canada, insurance contracts are generally regulated pursuant to provincial statute. The Receiver understands that there are provisions in the legislation of many Canadian provinces that prohibit or restrict the development of a secondary market of Canadian life insurance policies.
- 5.1.3 The Receiver has limited information about the process (including any due diligence and valuation) that was used by New Life to purchase the Policies as New Life's principals have failed to cooperate with the Receiver and the Receiver is not in possession of all of New Life's records.
- 5.1.4 For some of the Policy purchases, New Life utilized the services of agents who received a commission for brokering the sale of the Policy by the insured to New Life. From the limited information available to the Receiver, it appears that New Life paid a fixed purchase price for each Policy. In some instances, New Life paid a deposit to the owner which represented a portion of the purchase price. The balance of the purchase price was then released to the owner through an escrow agent once the insured had complied with the conditions precedent to the transaction. In other instances, it appears that the entire purchase price was only paid through an escrow agent once the insured had complied with the conditions precedent to the transaction.
- 5.1.5 For fourteen of the Policies, New Life obtained control of the trust, which had been established by the insured as the owner and beneficiary of the trust (the "Trust Policies"). For all of the Trust Policies, Jonathan Berck of New York, was appointed by New Life to succeed the existing trustee of the trust (usually a relative of the insured). No notice of this change in beneficial interest was provided to the insurer by any of the insureds, New Life or Mr. Berck. All of the

Trust Policies were issued less than two years prior to the date of the Appointment Order. As of the date of this Report, less than two years have elapsed since the issuance date of six of the Trust Policies. Generally, under the terms of these six Trust Policies, the initial two years is known as the “contestable period”, during which time, the insurer: (i) will not pay a death benefit on the demise of the insured if caused by suicide; and (ii) may rescind the policy and return the premiums paid.

- 5.1.6 A summary of the Policies is attached hereto as **Appendix P**. The Policies cover the lives of eighteen different insureds and were issued by eight different insurance companies. The Advantage Companies are designated as beneficiaries on three insurance policies issued by ING on the life of the same individual with a total face value of \$570,919 (the “Advantage Policies”). The other 19 Policies (referred to hereafter as the “Investments Policies”) were purchased pursuant to the Investments Program.
- 5.1.7 The Receiver notes some of the Policies were purchased in the names of entities that do not exist. For example, in many cases, the purchaser and/or the beneficiary is referred to as “002089742 Ontario Inc.” or “2089742 Ontario Inc.” While 002089742 is the corporation number assigned to Investments Inc. by the Director, *Business Corporations Act* (Ontario), Ontario Ministry of Consumer and Business Services, there are not, and never were, companies by the name of “002089742 Ontario Inc.” or “2089742 Ontario Inc.” These so-called entities were the purchasers on nine of the Policy purchase transactions, all nine of which had associated trusts. The Receiver has not been able to determine the business or legal reasons for this practice by New Life.

6. Analysis and Valuation of Portfolio

6.1 Engagement of Proverian

- 6.1.1 As discussed above, the principal asset of the Companies is the Portfolio.
- 6.1.2 A number of factors affect the value of a life settlement including the life expectancy of the insured covered by the policy, the expected rate of return sought by the investor, the type of policy, the premiums and other expenses associated with the policy, the net cash value of the policy and loans against same, the net death benefit of the policy, whether the policy is in the contestable period or not, and the volume of life settlement transactions and broader financial market conditions. In addition, a number of legal issues surround any life settlement transaction that may also affect the value of the policy, such as the period of time that elapsed between the issuance of the policy and the sale of the policy by the insured or original owner.
- 6.1.3 In order to develop a realization plan for the Policies, the Receiver determined that, amongst other things, it required information about the minimum premium option for each Policy over the life of the Policy and an analysis and valuation of the Portfolio. Given the various complexities associated with the life settlement industry and the Policies, and the different realization alternatives that may be available, the Receiver decided that it was in the best interests of the stakeholders that it retain a consulting firm with expertise in the life settlement business. In the Second Report, the Receiver explained its basis for the selection of Proverian as its consultant.
- 6.1.4 Pursuant to the Consulting Agreement, the Receiver retained Proverian as the Receiver's consultant to assist with:
- creating a Portfolio inventory;
 - obtaining updated Portfolio information;
 - obtaining updated information on the insureds;
 - producing a set of projected minimum premiums;
 - valuing the Policies on an individual basis and the Portfolio as a whole;
and
 - as required, advising on the development of a realization strategy for the Portfolio.

6.2 Proverian's Procedures

- 6.2.1 Using a secure electronic data room, the Receiver provided Proverian with copies of the documentation available from the Companies' files for each of the Policies

(the "Original Policy Documentation"). The Original Policy Documentation included the policy documents issued by the insurers, medical records, life expectancy ("LE") certificates and various documents executed by New Life, the insureds and the owners of the Policies in connection with the acquisition of the Policies by New Life.

6.2.2 In order to analyze and value the Portfolio, Proverian's activities included:

- reviewing the Original Policy Documentation;
- retaining the services of 21st Services and AVS Underwriting, LLC, two major U.S. providers of LE certificates (the "LE Underwriters");
- updating the Original Policy Documentation ("Updated Policy Documentation"), by, among other things,
 - > requesting updated medical records for each insured from the insured's medical providers, pursuant to authorizations provided to New Life by the insureds ("Updated Medical Records");
 - > obtaining updated illustrations from the insurers for each Policy; and
 - > obtaining updated LE certificates from the LE Underwriters; and
- reviewing the Updated Policy Documentation.

6.2.3 As required, the Receiver assisted Proverian with obtaining the Updated Portfolio Documentation. In certain instances, Proverian was unable to ascertain if any new records exist from the particular medical facilities contacted as the facilities were either non-responsive or took the position that the authorization forms provided by the insureds were not acceptable.

6.2.4 In order to confirm that each of the insureds was alive at the date of its valuation of the Portfolio, Proverian conducted searches of the Social Security Death Master File database (the "Searches"). The Searches found no death registrations for any of the insureds. The Receiver subsequently retained Proverian to update the Searches on a monthly basis until further notice. Proverian's most recent Searches conducted on August 24, 2009 also did not find any death registrations for any of the insureds.

6.2.5 In addition to the Searches, Proverian contacted the authorized contact person designated by each of the insureds to ascertain the present address (and health status) of each of the insureds. Pursuant to this approach, Proverian was able to confirm that 17 of the 18 insureds were alive. Proverian was unable to get in touch with the contact person for one insured.

6.2.6 In order to verify coverage, Proverian requested that for each of the Policies, the insurer provide a verification of coverage statement ("VOC"). Among other things, a VOC serves to confirm that a policy is in force. For the period ending August 20, 2009, Proverian received a VOC for 17 of the Policies. For four of

the Policies, Proverian did not receive a VOC but did receive other documents from the insurers which indicated that those policies were in force. One Policy is in grace, as discussed in section 9.1.4.

6.2.7 Using the Updated Portfolio Documentation, Proverian conducted a financial analysis of the Portfolio (“Financial Analysis”), which resulted in:

- an appraisal of each Policy using Proverian’s proprietary computer model, specified interest rates and the life expectancies projected by the LE Underwriters (the “Appraisal Values”); and
- a schedule of minimum premiums that Proverian projects will need to be paid to keep each Policy in force (the “Premium Projections”).

6.2.8 During the course of its review of the Original Policy Documentation, Proverian reviewed the available documentation and procedures used by New Life to value and acquire the Portfolio. Proverian identified some possible issues associated with the documents, and advised the Receiver that these issues associated with the documents may affect the value of or the sale of some or all of the Portfolio. Proverian did not analyze and was not able to provide comments or an opinion on the potential legal implications of any such issues. Proverian provided the Receiver with its observations on a Policy by Policy basis to communicate the issues identified. Proverian did not perform a complete review of the documentation and processes surrounding the acquisition of the Portfolio. The Receiver does not intend to investigate this any further.

6.2.9 Proverian and the Receiver maintained close contact throughout the execution of Proverian’s mandate. That contact included a weekly briefing by conference call supported by update schedules.

6.3 Proverian’s Report

6.3.1 Proverian provided a preliminary draft report to the Receiver on July 7, 2009 and a final report on September 2, 2009 (the “Proverian Report”). The Proverian Report may only be distributed in accordance with the Consulting Agreement. Due to the sensitive nature of the information contained in the Proverian Report, a copy is not attached to this Report.

6.3.2 In order to advise the Court of the appraised value of the Portfolio and the various considerations highlighted by Proverian related to the marketability of the Portfolio, the Receiver has filed with this Honourable Court, on a sealed basis, the Supplemental Report, which contains a copy of the Proverian Report. As noted in section 3.2, the Receiver has provided a copy of both the draft and final versions of the Proverian Report to the Representative Counsel.

6.3.3 In performing the Financial Analysis, Proverian relied upon the following information and assumed that this information was valid and applicable to Proverian’s purpose:

- the LE certificates provided by the LE Underwriters;

- the medical records provided by the medical providers of the insureds;
- policy-related information including:
 - a) VOC's
 - b) Policy contracts and original insurance applications;
 - c) Illustrations produced by the insurance companies;
 - d) Premium Notices issued by the insurance companies; and
 - e) other Policy statements and correspondence provided by the Receiver within each case file.

6.3.4 The Proverian Report and the findings presented therein are based on various assumptions, including:

- that there is a functioning and active tertiary market for life settlements;
- not making any allowance for the strengths or weaknesses associated with the way New Life acquired its interest in the Policies or the manner in which the Policies were originally applied for and issued;
- there will not be any potential negative impact associated with the legal structure of New Life's methods of origination, and further that neither the insurance companies nor any other party will challenge the validity of the origination of the Policies or the Policies themselves.
- that all of the Policies have insurable interest and potential buyers will not apply a discount to the price of the Policies arising from possible insurable interest risks;
- the fact that New Life is in receivership will not cause a discount to be applied to the price of the Policies.
- not taking into account the potential inability of any insurance company to pay claims on the Policies; and
- that the medical records available to Proverian were complete and that any medical facilities which did not respond to Proverian's requests for recent records were not in possession of any additional medical records.

6.3.5 **In the Proverian Report, Proverian advises that actual experience may differ from the assumptions used in performing the financial analysis and such differences could have a material impact on the results of the analysis.**

6.4 Appraisal Values of the Policies

- 6.4.1 Utilizing its proprietary pricing model and a number of key assumptions, Proverian determined the appraisal value of each Policy as at July 1, 2009 based on the actuarial present value of future death benefits less the actuarial present value of future premiums.
- 6.4.2 As the LE Underwriters apply different assumptions and principles to the medical data supplied on the insureds, the results of their analyses, as portrayed in their respective LE certificates, vary for the same insured. In some instances, the variances between the life expectancies projected by the two LE Underwriters for the same insured are significant.
- 6.4.3 Proverian developed six different Appraisal Values for each policy, utilizing the LE Certificates obtained from the LE Underwriters, under two alternative discount rates based on (i) the AVS LE; (ii) the 21st LE; and (iii) a blend of the AVS LE and the 21st LE, (the "Valuation Scenarios").

6.5 Premium Projections

- 6.5.1 The Premium Projections is a schedule of the minimum premiums which need to be paid to preserve the death benefit of each Policy while not allocating any excess premiums to cash value appreciation. Based on a number of assumptions and using its proprietary pricing model, Proverian projected the minimum monthly or periodic premiums required to keep each Policy in force through maturity and to ensure that the account value exceeds the implied surrender penalties as shown in the applicable policy illustrations.
- 6.5.2 When calculating the Premium Projections, Proverian did not take into account "secondary guarantees" which allow the Policy to stay in force even with reduced premiums. Taking any secondary guarantees into account could reduce premium payments over the next few months however, then higher premiums would have to be paid at a later date.
- 6.5.3 As discussed above, the Receiver's disbursements to date have included payment of premiums due on certain of the Policies. Generally, the Receiver has only paid the premiums that it understood were necessary to maintain the Policies in good standing. In most cases, such payments have been less than the annual or periodic premiums prescribed by the Policies.
- 6.5.4 For the Investments Policies, Proverian found as follows:
- for some, the Appraisal Value was negative for certain Valuation Scenarios; and
 - for some, the Appraisal Value was negative for the range of Valuation Scenarios.

A negative appraisal value arises when the actuarial present value of future premiums exceeds the actuarial present value of future death benefits.

6.5.5 The aggregate Premium Projections on the Investments Policies are summarized below:

Period	Aggregate Premium Projections on Investments Policies (USD)
July 1 to December 31, 2009	2.3 million
January 1, 2010 to December 31, 2010	2.0 million
January 1, 2011 to December 31, 2011	1.5 million
January 1, 2012 to December 31, 2012	1.6 million
January 1, 2013 to December 31, 2013	1.7 million

6.6 Summary

6.6.1 In summary, Proverian has reported to the Receiver orally, by email or by way of the Proverian Report that:

- a number of factors affect the value of life insurance policies. Key factors include the life expectancy of the insured, premium expenses, type of policies and account value;
- there is a range of life expectancies for the insureds;
- the timing of any death benefits is highly uncertain;
- the estimated trading value of the Portfolio under current market conditions is significantly less than the total amount invested by the Investors;
- all of the Policies are believed to be in force as at July 1, 2009, although some are subject to outstanding premium notices; and
- that the best price for the Portfolio would more likely be obtained through an en bloc sale than on a Policy by Policy basis

7. Overview of the Realization Plan for Policies

7.1 The Realization Plan

7.1.1 The Receiver seeks to implement a realization plan that is fair and equitable to creditors and Investors, and that is capable of meeting the objective of distributing maximum value to the creditors and Investors. **However, the Receiver cautions that the Receiver continues to be uncertain of the amounts that may be available for distribution to creditors and Investors. Based on the information currently available to the Receiver, the Receiver is of the view that the Receiver's recoveries pursuant to any realization plan in respect of the Policies are very uncertain and may be significantly less than the aggregate amount invested by the Investors.**

7.1.2 Given the various complexities associated with the life settlement industry and the Policies, there a number of alternatives available to the Receiver for realizing on the Policies. These could include any one of, or combination of, but not limited to:

- continuing to pay the minimum premium for each Policy;
- surrendering the Policies; and
- conducting a sale of some or all of the Policies. This could involve selling the Portfolio en bloc, or on a Policy by Policy basis over a period of time.

Furthermore, a different realization plan may be implemented for the Investments Policies and the Advantage Policies.

7.1.3 In order to develop the Realization Plan, the Receiver has relied upon the Proverian Report, including the Premium Projections and Appraisal Values, performed extensive analysis of the information provided in the Proverian Report, and consulted with Proverian and Representative Counsel. The Receiver is currently of the view that the most appropriate realization plan is to implement different realization plans for the Advantage Policies and the Investments Policies.

7.1.4 The Receiver's recommended realization plans are presented in section 8 for the Advantage Policies (the "Advantage Realization Plan") and in section 9 for the Investments Policies (the "Investments Realization Plan" and collectively with the Advantage Realization Plan, the "Realization Plan").

8. The Advantage Realization Plan

8.1 Overview of the Advantage Program and the Advantage Policies

8.1.1 The Investments Program and Advantage Program were marketed as distinct investment opportunities. The Investments Program involved the sale of Class A Shares in Investments Inc. to the Class A Investors. The funds raised were pooled to purchase the Investments Policies. Pursuant to the Advantage Program, New Life offered the Advantage Investors the opportunity to indirectly participate, sometimes along with a limited number of other investors, in a single life insurance policy.

8.1.2 The following summarizes the Advantage Program investments and holdings:

Entity	Number of Investors	Amount Invested CDNS	Beneficial Interest of ING Policy	Value of Beneficial Interest CDNS (3)
2108375	5	103,000	61.9% of #1560230	128,000
2126533	1	203,000	84.9% of #1560231	241,000
2126375	2	82,400	66.5% of #1560223	96,000
2100228	1	50,000 (1)	32.09% of #1560230	66,000
2173817	1	200,000 (2)	None	None
	10	638,400		531,000

1. The Investor purchased common shares.
2. Funds appear to still be in Advantage bank account.
3. Based on the face value of the Policies converted from USD @ 1.11

8.1.3 The beneficial interests in the Advantage Policies are summarized as follows:

ING Policy No.	Beneficial Interest	Value of Beneficial Interest CDNS ¹
1560230	61.90% – 2108375	128,000
	32.09% – 2100228	66,000
	6.01% – Individual Advantage Beneficiary ²	12,000
	Policy Total	206,000
1560231	84.9% – 2126533	241,000
	15.1% – Investments Inc.	42,000
Policy Total		283,000
1560223	66.5% – 2126375	96,000
	16.8% – Individual Advantage Beneficiary	24,000
	16.7% – Investments Inc.	24,000
Policy Total		144,000
Total – Advantage Policies		633,000

¹ Based on the face value of the Policies converted from USD@1.11

² Individual Advantage Beneficiary is defined in Section 8.4 of this Fourth Report

8.1.4 The Advantage Policies, which have a total face value of \$570,919 USD (or 633,000 CDN @ 1.11) were issued in 1997 and are owned by 1660690 Ontario Ltd. It appears that New Life prepaid premiums for the Advantage Policies in July 2008. The Receiver paid the current premiums invoiced for the Advantage Policies in April 2009. According to the Projected Premiums, no premiums are due on the Advantage Policies until September 2010.

8.2 Structure of the Advantage Program

8.2.1 The Receiver continues to be uncertain of the overall reasons for the structure of the New Life business and reason for each New Life entity, due to the lack of records available to the Receiver and the lack of access to Pogachar and Lombardi. However, based on discussions with some Investors and investment advisors and the Companies' information available to the Receiver, the Receiver understands that the principal elements of the Advantage Program were as follows:

- Advantage Investors purchased preferred shares in a numbered Ontario company (one of the Advantage Companies) with the understanding that the company in turn obtained a partial beneficial interest in a single life insurance policy (one of the Advantage Policies);
- except for 2100228, the common shares of each of the Advantage Companies were issued to Advantage Inc.;
- commissions were to be paid to agents who referred Advantage Investors to New Life;
- upon the death of one of the individuals insured under an Advantage Policy, the Advantage Company with the beneficial interest would receive its share of the death benefit;
- upon receipt of its share of the death benefit, the Advantage Company would then declare and pay a dividend to its preferred shareholders (i.e. the Advantage Investors). The amount of the dividend would represent the agreed upon return on the Advantage Investors' capital; and
- the Advantage Company would redeem its outstanding preferred shares at face value.

8.2.2 The Receiver is uncertain of the recovery, if any, Advantage Inc. expected to receive on the common shares it holds in each of the Advantage Companies (with the exception of 2100228) or how New Life as a whole was to profit from the Advantage Program after payment of commissions to the investment advisors who brought in the funds from the Advantage Investors. The Receiver assumes that New Life intended to make its return by selling to the Advantage Companies partial beneficial interests in the policies that New Life already owned and by retaining an interest in each of the Advantage Policies.

8.3 Advantage Inc.'s Bank Accounts

8.3.1 Advantage Inc. has two bank accounts – Account #5209747, labelled “New Life Capital Advantage Inc.” (the “Advantage Account”), and Account #5209755, labelled “New Life Capital Advantage – in Trust” (the “Advantage Trust Account”). See **Appendix Q** for a summary of the transactions in these accounts. At the date of the Receiver’s appointment, the Advantage Account and the Advantage Trust account had on deposit \$327,177.35 and \$8,615.14, respectively. The Advantage Companies do not have bank accounts. The monies received from the Advantage Investors were deposited in the Advantage Account except for one investment of \$10,300 in which case the monies were deposited in the Advantage Trust Account.

8.4 Investments in the Advantage Program

8.4.1 This section is an overview of the investments made in the Advantage Program and the beneficial interests obtained in the Advantage Policies.

8.4.2 Based on information obtained to date from the Companies’ books and records and Aird & Berlis LLP, the Receiver understands that a total of \$638,400 was invested in the Advantage Program by ten Advantage Investors.

8.4.3 Of the \$638,400 invested, \$200,000 from one investor (the “2173817 Investor”) was deposited in the Advantage Account on March 27, 2008. While the 2173817 Investor received 20 preferred shares of 2173817, as far as the Receiver can determine, 2173917 does not hold a beneficial interest in any of the Policies nor does it have any other assets. Despite this, the Receiver believes that it was the intention of New Life and the 2173817 Investor that the investment in 2173817 be part of the Advantage Program. The Receiver does not believe that the 2172817 Investor is related to the principals or the Companies.

8.4.4 Page 1 of the Subscription Agreement entered into by the 2173817 Investor (see **Appendix R** hereto) states that “Subscription proceeds will be held in the New Life Capital Advantage Inc.’s trust account at the Toronto-Dominion Bank in Toronto, Ontario until such time as (i) the Corporation is established and/or (ii) a qualifying life insurance policy ... is identified and purchased.” While a corporation was established, being 2173817, based on the information available to the Receiver no qualifying policy was identified or purchased.

8.4.5 While the funds from the 2173817 Investor were not paid into the Advantage Trust Account, the funds paid by the 2173817 Investor can be traced into the Advantage Account, and they formed part of the balance on deposit when the Freeze Order was made and when the Receiver was appointed. Copies of the relevant bank statements for the Advantage Account are included as **Appendix S** to this Fourth Report.

8.4.6 There are no preferred shares issued for 2100228. A third party investor owns the common shares. The Receiver understands that this Investor is not related to the Companies or Pogachar and Lombardi.

8.4.7 Investments Inc. has a beneficial interest in two of the Advantage Policies – 15.1% in ING Policy #1560231 and 16.7% in ING Policy #1560223.

8.4.8 An individual has a 6.01 % beneficial interest in ING Policy #1560231 and a 16.8% beneficial interest in ING Policy # 1560223 (the “Individual Advantage Beneficiary”). The Receiver does not know why the Individual Advantage Beneficiary was granted such beneficial interests and proposes that it be required to support its entitlement to the beneficial interests by filing a proof of claim pursuant to the claims procedure outlined in section 11.

8.5 Separate Realization Plan for the Advantage Policies

8.5.1 The Receiver proposes that there should be a separate realization plan for the Advantage Policies for the following reasons:

- the Advantage Program was a separate product offering of New Life;
- the Advantage Investors invested in New Life with the objective of receiving shares in a company which held a beneficial interest in a specific life insurance policy. The Receiver observes that, with the exception of the 2173817 Investor, the Advantage Investors have essentially received what they bargained for with New Life;
- no premium is due on the Advantage Policies until at least September 2010 and premiums could possibly be further deferred by drawing down the cash value accumulated in the Advantage Policies; and
- pursuant to Proverian’s analysis, the Advantage Policies have positive values.

8.5.2 The Receiver recommends that New Life continue to hold the Advantage Policies until the Receiver has investigated further the flow of funds between the Advantage Companies and the other Companies, and the Receiver has completed the claims process described in section 11 in order to confirm the interests of the Advantage Investors and any creditors of the Advantage Companies. At this time, the Receiver is not aware of any creditors of the Advantage Companies.

8.5.3 Notwithstanding the foregoing, the Receiver proposes to market the Advantage Policies at the same time as the Investment Policies. In light of the proposed Investments Realization Plan (described in section 9), the Receiver does not anticipate that there will be significant incremental costs for implementing a sales process for the Advantage Policies. The Receiver will take into consideration the results of the sales process in considering whether to continue to recommend holding the Advantage Policies.

8.6 Next Steps for the Advantage Program

8.6.1 After the claims process and further analyses and investigation, the Receiver will report back to the Court with its recommended next steps for the Advantage

Program. At this time, the Receiver anticipates that its recommendation will include the following:

- 2100228 be discharged from the receivership upon the payment by the common shareholder to the Receiver of an appropriate deposit to be applied to future premiums;
- the Receiver returns the funds invested by the 2173817 Investor from the Advantage Account subject to a deduction for the commission paid by New Life to the investment advisor used by the 2173817 Investor to make the investment in 2173817; and
- with respect to 2108375, 2126533 and 2126375, the Receiver will take steps to maintain those entities in good standing and draw its related fees and premium payments from the Advantage Account until the Advantage Policies related to those entities mature and a distribution is ultimately approved by this Honourable Court.

9. The Investments Realization Plan

9.1 The Investments Realization Plan

- 9.1.1 After consultation with Proverian, the Receiver has concluded that, given the Premium Projections and potential risks associated with holding the Investments Policies, it is advisable to offer the Investments Policies for sale as soon as possible on an en bloc basis. After consultation with Proverian, the Receiver has concluded that none of the Investments Policies is of sufficient individual potential value to justify marketing any one on its own. However, the Receiver would not be precluded from entering into any agreement to sell any Policy on its own or any subset of Policies on their own.
- 9.1.2 Given the amount of the Premium Projections and the Appraisal Values of the Investments Policies, the Receiver does not recommend continuing to pay the Premium Projections for each of the Investments Policies. As discussed in section 6, some of the Policies have negative Appraisal Values for certain or all of the Valuation Scenarios. In addition, given the available information about the life expectancy of the insureds for each of the Investments Policies, the Receiver believes there is a high likelihood that it will not have sufficient resources to continue to pay the Premium Projections for each Investments Policy. The aggregate Premium Projections for the Investment Policies for the periods of July 1 to December 31, 2009 and January 1, 2010 to December 31, 2010 are approximately \$2.1 million and \$1.9 million, respectively. This exceeds the cash resources currently available to the Receiver.
- 9.1.3 The Receiver also compared the Premium Projections due for 2009, for 2009 and 2010 combined, and for 2009, 2010 and 2011 combined, to the Appraisal Values for the Investments Policies with positive Appraisal Values. The Receiver observes that, for certain Policies, the premiums for 2009 exceed the Appraisal Values, and that if one also considers the 2010 and 2011 Premium Projections, the number of Policies where the Premium Projections due exceed the Appraisal Values increases. Life insurance premiums are generally due on a certain date. However, policies generally have a grace period during which the premium may still be paid and the policy will stay in force. The Receiver understands that, during the grace period, the insurer is generally obligated under the life insurance contract to pay the death benefit.
- 9.1.4 The Receiver is in receipt of notices to pay premiums on certain Policies (the "Premium Outstanding Policies"). For one of the Premium Outstanding Policies, the Receiver has received a Grace Notice. The premium must be paid by September 13, 2009 or the Policy will lapse. The remaining Premium Outstanding Policies will lapse in due course (the "Lapsing Policies") if the required premium payment is not made.
- 9.1.5 As recommended above, the Receiver does not think that it is in the best interests of all of the Investors and creditors of the Companies to continue to pay premiums due on Policies which have a negative Appraisal Value based on Proverian's Report. However, the Receiver understands that certain Investors may be interested in assuming or purchasing the Lapsing Policies. Until such

time as any or all of the Investments Policies are sold by the Receiver, the Receiver is prepared to attempt to transfer any Lapsing Policies. Any transferee would not take title to the Lapsing Policy until after the end of the grace period and would be responsible for any costs incurred by the Receiver for the transfer. In the event that a death benefit is paid on any of the Lapsing Policies prior to the end of the grace period, that death benefit would flow to the Receiver and the Receiver would reimburse the transferee for any of its reasonable costs incurred. Any such transfer would be completed on an “as is, where is” basis and the Receiver would not be in a position to provide assurance that the insurer will accept or recognize the transfer.

9.1.6 The Receiver proposes to notify the creditors and Investors, via the Website, of its decision to allow certain of the Premium Outstanding Policies to lapse in advance of the lapse date. This will allow interested parties an opportunity to consider pursuing a transfer of such Policies. The Receiver posted a notice on September 2, 2009 with respect to one of the Lapsing Policies which has a face value of US\$5 million. A copy of that notice is attached as **Appendix T**.

9.2 Recommended Sales Process

9.2.1 The Receiver proposes to offer the Investments Policies for sale en bloc, on an “as is where is” basis, as follows:

- canvassing direct contacts – the Receiver will notify (i) those parties who have contacted the Receiver or Representative Counsel, including Investors, to advise of their interest in participating in a sales process; and (ii) a list of known investors in the life settlement industry developed by the Receiver in consultation with Proverian, that the Investments Policies are for sale;
- access to Investments Policies information – prospective purchasers will be required to execute a confidentiality agreement in order to obtain access to information regarding the Investments Policies, which shall be maintained by the Receiver in a secure, password controlled, electronic data room;
- terms and conditions – the transaction would be for the purchase of the Receiver’s right, title and interest, if any, in the Investments Policies on an “as is, where is” basis. The title given by the Receiver would be that granted pursuant to a Vesting Order to be made by this Honorable Court. The highest or any offer will not necessarily be accepted; and
- timeline – the Receiver proposes a deadline of October 30, 2009 for the submission of proposals by prospective purchasers;

9.2.2 The tertiary market for life settlement policies involves the resale of life settlement policies from one investor to another. The Receiver understands that the number of participants in the tertiary market has increased in recent years and that the tertiary market is international in scope.

9.2.3 With the Investments Realization Plan, the Receiver is seeking to maximize the value of the Investment Policies, be fair in the working out of the process, have an efficient process to obtain and assess any offers, and to encourage bona fide bidders to submit expressions of interest.

9.2.4 The Receiver will likely retain Proverian to prepare the secure, password controlled, electronic data room. Proverian has expertise in this area and has already worked with all of the documents that will be included in the data room. Proverian has estimated that its fee for this additional work will be \$2,500 USD.

9.3 Regulatory Considerations

9.3.1 The Receiver has been advised by the OSC Staff that trading in the Policies is restricted by the Temporary Cease Trade Order. In the event that the Receiver intends to enter into a definitive agreement for the sale of Investments Policies or the transfer of a Lapsing Policy, the Receiver will require an exemption to the Temporary Cease Trade Order. The OSC Staff has advised the Receiver that it will cooperate with the Receiver's efforts in this regard.

9.3.2 The Receiver is aware of potential regulatory constraints, which may restrict or preclude the Receiver from implementing the Realization Plan, including transferring the Lapsing Policies to Investors. Given the complexities of the potential regulatory constraints, which include the jurisdiction of any purchaser or transferee of the Policies, the Receiver will be assessing the potential regulatory constraints on a case-by-case basis. The Receiver will report to the stakeholders of New Life and this Honorable Court as soon as it has clarified the application of the regulatory regimes to any ultimate sale or transfer of the Policies.

10. Distribution Plan

10.1 Potential Distributions

- 10.1.1 In previous reports, the Receiver advised that the OSC had scheduled a hearing with respect to its Statement of Allegations for August 2009. The Receiver understands that the OSC's hearings have now been re-scheduled for January 2010.
- 10.1.2 **Given the many areas of uncertainty with respect to the Receiver's realization of assets and the classification of New Life's stakeholders, and the potential effect of the hearing discussed in Section 10.1.1 above, it is premature for the Receiver to comment on the method and timing of any distribution of net realizations to stakeholders. The Receiver will report to this Honourable Court on these matters in a future report.**
- 10.1.3 The Receiver's mandate thus far has been to preserve and protect the assets of New Life for the benefit of stakeholders
- 10.1.4 The Receiver is of the view that it is now appropriate to implement a process to determine the identity of the Investors and creditors of each entity and the amount of their investments and claims with a view to establishing a structure to facilitate the distribution of value to the Investors and creditors (the "Distribution Plan").
- 10.1.5 Due to the complexity of the corporate structure, the lack of records and the Receiver's lack of access to New Life's principals, the Receiver continues to be uncertain of the total liabilities owing by New Life to any creditors and the total amount invested by the Investors. While the Receiver is in the process of analyzing New Life's pre-receivership cash transactions, the emphasis of that review is on cash disbursements as opposed to cash received.
- 10.1.6 The Receiver seeks to implement a Distribution Plan that distributes maximum value to Investors and creditors. The primary sources of recovery are expected to be cash on hand and realizations from the sale of the Portfolio.
- 10.1.7 Prior to determining the appropriate way to administer a distribution of proceeds, the Receiver is of the view that it is advisable to implement a claims procedure, as discussed in Section 11.

11. Claims Procedure

11.1 Need for Claims Procedure

11.1.1 The Receiver is of the view that it is advisable and prudent to implement a claims procedure as soon as possible in order to:

- identify and quantify the claims of creditors against each of the Companies; and
- identify and quantify the positions of shareholders in Investments Inc. and the Advantage Companies.

11.1.2 The Receiver asserts that this information is needed in order to:

- assist the Receiver in developing a recommendation to this Honourable Court as to whether some or all of the cash currently on deposit in the various mirror bank accounts established by the Receiver, except those in the name of Advantage Inc., should be consolidated in the account of Investments Inc.; and
- assist this Honourable Court in determining the interests of stakeholders in the ultimate distribution of New Life's assets.

11.2 Outline of Claims Procedure

11.2.1 The Receiver proposes that stakeholders be required to prove their claims as at December 17, 2008, the date of the Appointment Order.

11.2.2 The Receiver recommends that creditors and Investors complete a prescribed proof of claim form ("Proof of Claim") in a format similar to that utilized in a bankruptcy proceeding.

11.2.3 The Receiver recommends that the claims of the Class A Investors should be calculated on the basis of (i) the amount paid by the Class A Investor to acquire Class A Shares; less (ii) any amounts received by the Class A Investor from Investment Inc., including cash dividends. The Receiver is not recommending that any additional Class A Shares received pursuant to Investment Inc.'s Dividend Reinvestment Plan ("DRIP") be included in the calculation of claims for Class A Investors.

11.2.5 The Receiver is continuing to investigate the DRIP and the appropriateness of not including any shares issued to the Investors pursuant to the DRIP in the calculation of the Investors' claims. Prior to any distributions to Investors and/or creditors, the Receiver will seek a determination from the Honourable Court as to whether any amounts received by Investors as dividends should be considered for the purpose of calculating such Investor's claim.

11.2.6 In order that the Receiver has the information needed to ultimately calculate the claims of the Class A Investors, through the outlined claims procedure, the Receiver will confirm and/or collect the following information from the Class A Investors: (i) the amount paid by the Class A Investor to acquire Class A Shares; (ii) the face value of any additional Class A Shares issued at \$5 per share to the Class A Investor pursuant to DRIP; and (iii) any amounts received by the Class A Investor from Investments Inc., including cash dividends.

11.2.7 The Receiver recommends that the claims of the Advantage Investors be calculated based on (i) the amount paid by the Advantage Investor to acquire preferred shares of the Advantage Companies, or common shares in the case of 2100228; less (ii) any amounts received by the Advantage Investor from the Advantage Companies.

11.3 Statement of Investor Claims

11.3.1 The Receiver is of the view that it would greatly expedite the claims process and assist the Investors if the Receiver is authorized and directed by this Honourable Court to provide to each Investor a statement setting out the Receiver's calculation of each Investor's Claim (the "Investment Statement"). The Investment Statements will be delivered with the Notice Documents (as defined below).

11.3.2 The Investment Statements will be prepared using information from the Companies' books and records. For the Class A Investors, the Investment Statements shall include a summary of the number of Class A Shares issued, all amounts invested by the Class A Investor and the value of any additional Class A Shares issued to the Class A Investor pursuant to the DRIP. The Class A Investor will be asked to insert the details of any payments, including cash dividends received from Investments Inc. For the Advantage Investors, the Investment Statements shall include a summary of the number of preferred shares, or common shares for 2100228, issued and all amounts invested by the Advantage Investor less any amounts received by the Advantage Investor.

11.3.3 It is anticipated that the Receiver will generally not require any additional documentation from an Investor who submits a Proof of Claim in the same amount as set out on the Investment Statement. Provided that an Investor agrees with the Receiver's valuation of its claim as set out in the Investment Statement, the Investor will attach the Investment Statement to the signed Proof of Claim submitted to the Receiver.

11.3.4 In the event that the Receiver receives any new information regarding the amount of an Investor's claim, the Receiver shall deliver to the Investor an amended Investment Statement. Although the Investment Statement will be without prejudice to an Investor's right to claim a different amount on the Proof of Claim, any such Investor will have to provide the Receiver with evidence establishing the different amount.

11.3.5 In addition to the Investment Statement, the Receiver will provide Investors with an instruction letter, which shall assist in completing their Proof of Claim. The form of Proof of Claim and the instruction letter shall be collectively referred to herein as the "Notice Documents". The Notice Documents together with the advertisement (referred to in section 11.5.2 below) are attached to the draft Order for the approval of the claims procedure in the within Motion Record.

11.4 Unprocessed Investors

11.4.1 Pursuant to the March 18 Order, the Receiver was authorized to add the Unprocessed Investors to the Receiver's mailing list of investors in one or more of the Companies for the purposes of dissemination of information.

11.4.2 The Unprocessed Investors are individuals that purchased shares of one or more of the Companies through the Investments Program but were not issued corresponding share certificates.

11.4.3 Given that the Unprocessed Investors invested monies in New Life, the Receiver proposes treating the Unprocessed Investors like the Investors for the purpose of the claims procedure and, in future, in respect of any distributions.

11.4.4 Accordingly, the Receiver is of the view that it would greatly expedite the claims procedure and assist the Unprocessed Investors if the Receiver is authorized and directed by this Honourable Court to provide an Investment Statement to each Unprocessed Investor in the manner set out in section 11.3 above.

11.5 Call for Claims

11.5.1 Based on information currently available to the Receiver, it is the Receiver's understanding that the majority of the Investors reside in western Canada and were introduced to New Life through investment advisors who conduct business in their local communities.

11.5.2 As previously reported, the Receiver has received inquiries from parties who represent that they subscribed for Class A Shares and paid their subscription amounts but did not receive share certificates. Some of these Unprocessed Investors were included on the February 2009 List. For others, the Receiver has not been able to trace the party's investment claim to any New Life records. Accordingly, in order to provide reasonable assurance that all creditors and Investors are aware of the Receiver's call for claims, the Receiver recommends that it be authorized to place one insertion of the call for claims notice in the following publications:

- Globe and Mail – Report on Business; and
- Vancouver Sun

11.5.3 The Receiver also recommends that it notify, by mail, all known investment advisors of the claims procedure in order that the investment advisors can take steps to ensure that their clients are aware of the process and that they respond to

the Receiver in a timely fashion. Further, the investment advisors may be able to assist their clients with the completion of the Proof of Claim.

- 11.5.4 In instances where parties do not receive an Investment Statement from the Receiver because the party is not reflected as an Investor in the Companies' records, the Receiver will require that the claimant support his or her Proof of Claim with copies of the related Subscription Agreement and proof of payment of the subscription amount.
- 11.5.5 The Receiver recommends that this Honourable Court establish a claims bar date of 4:00 p.m. (Eastern Standard Time) on Friday, October 30, 2009 for the filing of Proofs of Claim with the Receiver, failing which, all claims against the Companies are forever barred and extinguished.

12. Receiver's Proposed Activities

12.1 Receiver's Proposed Activities

12.1.1 In the near term, the Receiver's primary activities are expected to include:

- continuing efforts to obtain a complete set of the Companies' records;
- execution of the Advantage Realization Plan;
- execution of the Investments Realization Plan;
- execution of the claims procedure;
- pursuing efforts to obtain information from Pogachar and Lombardi, whether through examinations under oath or alternative means, and from other persons related to the Companies; and
- reviewing and analyzing additional records and preparing summaries, to the extent information is available, of various matters, including the financial position of each of the Companies, and the funds advanced from one New Life entity to another.

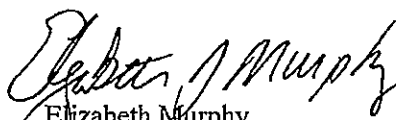
13. Recommendations

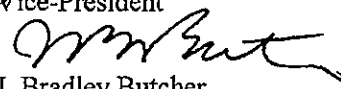
13.1.1 For the reasons set out above, the Receiver respectfully requests that this Honourable Court issue an Order:

- approving the Document Delivery Protocol dated August 5, 2009;
- approving the Receiver's Statements of Receipts and Disbursements for the period December 17, 2008 to September 1, 2009 as presented in Appendices N and O of this Fourth Report;
- approving the Advantage Realization Plan;
- approving the Investments Realization Plan;
- approving the claims procedure; and
- approving the Receiver's activities as described in the Third Report and this Fourth Report.

All of which is respectfully submitted this 2nd day of September, 2009.

**KPMG INC.,
IN ITS CAPACITY AS THE COURT APPOINTED
RECEIVER AND MANAGER OF 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.**


Per: Elizabeth Murphy
Vice-President


Per: J. Bradley Butcher
Vice-President