

**IN THE MATTER OF THE BANKRUPTCIES OF
FOCUSED LIFE CAPITAL LTD. (“FLC”), FOCUSED LIFE INVESTMENTS LTD. (“FLI”),
FOCUSED LIFE INVESTMENTS 2 LTD. (“FLI2”), 1323545 ALBERTA INC. (GENERAL
PARTNER OF FOCUSED LIFE SETTLEMENTS 2 LIMITED PARTNERSHIP, the “LIMITED
PARTNERSHIP”), FOCUSED MONEY SOLUTIONS INC. (“FMSI”), AND FOCUSED MONEY
CAPITAL LTD. (collectively, the “Companies”)**

TRUSTEE’S SECOND REPORT TO CREDITORS/INVESTORS

1. INTRODUCTION AND BACKGROUND

On June 13, 2011, the Companies filed Notices of Intention to Make Proposals and BDO Canada Limited (“BDO”) became the Proposals’ Trustee. The First Meeting of Creditors (“FMOC”) to consider the proposals was held on August 2, 2011 and, at the meeting, the creditors of the Companies voted against the approval of the proposals. As a result, each of the Companies were deemed to have made assignments into bankruptcy. The FMOC for the bankruptcies of the Companies was held immediately thereafter where a motion to substitute BDO as Trustee was brought forward. The motion was passed and Deloitte & Touche Inc. was appointed as Trustee of the bankrupt estates (the “Trustee”) of the Companies.

The Companies consisted of a group of six interdependent entities wherein each entity played a function to raise funds and acquire a portfolio of life insurance policies as investment vehicles. All six entities of the Companies were incorporated under the *Business Corporations Act of Alberta* and operated out of the head office in Calgary, Alberta. Mr. Victor DeLaet was the director and manager of the Companies.

This is the Trustee’s second report to the creditors/investors (this “Report”). The Trustee’s first report was dated September 15, 2011 (the “First Report”).

The Trustee has held meetings with the group of inspectors appointed to the estate (the “Inspectors”) a total of six times, four times of which have been since the date of the First Report.

2. REALIZATION OF ASSETS

a) Insurance policies

As outlined in the First Report, the Trustee was aware of two remaining life insurance policies that required reinstatement as at the time of its appointment. One of the policies, the Silbiger insurance policy, was successfully sold by the Trustee (with the approval of the Inspectors), after a lengthy reinstatement and negotiation process, for net proceeds of approximately \$150,000. The other policy could not be sold as the informal reinstatement request was denied by the insurance company and a formal reinstatement process would need to be undertaken which would involve updated medical testing of the insured (assuming the insured would cooperate and was still in good health), a substantial reinstatement fee (the estate has no funds to pay this) and a new two year contestability period if the reinstatement was successful. The Trustee approached the potential buyer and they no longer had an interest with the renewal of the two year contestability period and the long life expectancy of the insured. The Trustee also discussed the policy with two other potential buyers who had reviewed the policy previously and they also had no interest. It was agreed with the Inspectors that the reinstatement of the policy did not make economic sense and it has not been pursued any further by the Trustee.

The Trustee was also contacted by an agent who indicated that a relative of one of the insureds of an insurance policy owned by Focused had expressed an interest in purchasing the policy. The Trustee discovered that this policy had lapsed in August 2010 and could not be successfully sold by Focused prior to the bankruptcies. The Trustee received the reinstatement requirements from the insurance company that included a formal reinstatement application to be completed by the insured along with authorizations by the insured to release medical and other information and to consent to updated medical testing. The insurance company will not provide the amount of premiums required to reinstate the policy until the reinstatement application is approved. This information has been provided to the agent for the potential purchaser and the Trustee is waiting to hear back if the party is interested in buying the policy and on what financial terms.

The Trustee is aware of three other insurance policies owned by Focused that could not be sold by the Companies and had lapsed for a significant time prior to the bankruptcies. These three policies have significant premium arrears that would be required to be paid if the policies could be successfully reinstated. As the estate does not have the funds to deal with a reinstatement process (that may not even be successful without the insured's cooperation and good health) or to pay for any premium arrears, and has no known potential buyers who would be interested in a policy with a new two year contestability period on reinstatement, the Trustee, with the consent of the Inspectors, has not pursued the sale of these policies any further.

b) Office furniture and equipment

The Trustee, with the consent of the Inspectors, sold the Companies' office furniture and equipment for net proceeds of approximately \$9,600.

c) Claim against American Settlements Associates, LLC ("ASA")

ASA is in receivership. The Trustee and its legal counsel have been in further discussions with the receiver for ASA (the "Receiver") and amended and re-submitted the two proof of claim forms formerly filed by FMSI and the Limited Partnership as against ASA for US \$3.8 million and US \$3.0 million, respectively (the "ASA Claims"). The ASA Claims were amended from investor to creditor claims and the Receiver subsequently requested further documentation from the Trustee to support the nature of the claims and the relationship between the Companies and ASA. The Trustee has provided the Receiver with all additional supporting documents it could locate and the Receiver has only accepted the claim of the Limited Partnership. This will result in a dividend to the estate of approximately US \$88,250. If both claims were accepted, the estates would have received total dividends of approximately US \$108,000. The Trustee has discussed the Receiver's disallowance of the FMSI claim with the Inspectors and it was agreed that it may cost more than the difference of US \$19,750 to dispute the disallowance and the dividend of US \$88,250 has been accepted. The Trustee expects payment in the next few weeks.

d) Shareholder loan receivable

As outlined in the First Report, Mr. DeLaet borrowed \$600,000 from FMSI (the "Shareholder Loan") pursuant to a loan agreement dated September 8, 2007 as between Mr. DeLaet and FMSI (the "Loan Agreement"). The Loan Agreement includes an interest rate of 7% per annum, payable monthly starting on October 1, 2007, however no interest payments have been received to date by FMSI. The Trustee has estimated the Shareholder Loan balance to total over \$800,000 (including accrued interest) as at March

31, 2012. The Trustee understands that the funds were advanced by Mr. DeLaet to an unrelated company (the "Company Loan") with interest, but the Company Loan remains outstanding and no interest payments have been made to Mr. DeLaet. Mr. DeLaet has assigned his interest in the Company Loan directly to FMSI and the loan remains outstanding.

The Trustee's counsel has pursued both the Shareholder Loan and Company Loan and has obtained default judgment against the unrelated company. Based on the information provided during the legal proceedings with respect to the Company Loan, it does not appear that the unrelated company will be able to repay the debt. The Trustee's counsel continues to pursue Mr. DeLaet for the Shareholder Loan. It is not clear when, or if, or how much of the Company Loan or Shareholder Loan will be repaid to FMSI.

3. BOOKS AND RECORDS

The Trustee has continued to review the books and records of the Companies as required in order to administer the bankruptcies and deal with the remaining assets and preference claims (as discussed later in this Report), but no detailed review or reconciliation of the funds received and disbursed by the Companies has been completed. The estates do not have the funding in place for this type of review to be completed at this time and it is not certain what, if any, benefits would be realized from this analysis.

4. ANALYSIS OF CLAIMS & ESTIMATED RECOVERIES

a) Priority Claims

Canada Revenue Agency has completed an audit of the Companies' payroll records and has filed claims for the unremitted portion of the employees' payroll source deductions (the "Deemed Trust Claims"). The Deemed Trust Claims rank in priority to all other claims and are for approximately \$5,100 as against FMSI and for approximately \$2,200 as against the Limited Partnership.

b) Secured Claims

The Trustee is not aware of any third parties having any security over the Companies and no parties have filed any secured claims to date. According to the personal property registry, FLC does have general security agreements in place with FLI and FLI2, but these companies do not have any assets.

c) Preferred Unsecured Claims

The Companies' records indicate a claim for rent arrears. Pursuant to Section 136 (f) of the BIA, the landlord may be granted a priority for any arrears (for up to the value of the assets on the leased premises) for the period of three months immediately preceding the bankruptcy and accelerated rent for a period not exceeding three months following the bankruptcy, if entitled to accelerated rent under the lease. The landlord has not filed a claim to date.

d) Ordinary Unsecured Claims

At this time, the Trustee is unable to determine the total unsecured claims of ordinary creditors as the Trustee is continuing to receive proof of claims from creditors and investors against one or more of the Companies and has not spent the time to review the nature and

support for the claims. This extensive process will only be completed if funds are available for distribution to creditors.

5. LEGAL PROCEEDINGS AND PREFERENCE AND TRANSACTIONS AT UNDER VALUE

As outlined in the First Report, the Trustee has retained Miles Davison LLP, with the approval of the inspectors, to act as its independent legal counsel. The Trustee's legal counsel has commenced three actions with respect to potential preference payments or transactions at under value (the "Preference Actions") made with one of the former accounting firms for the Companies along with a legal firm for Mr. DeLaet and a legal firm for the Companies. The funds being pursued are the result of the sale of several insurance policies by the Companies in March and April 2011 for approximately US \$959,000 in gross proceeds before commissions and legal costs. The Preference Actions involve approximately \$190,000 in funds and the potential recoveries are not known at this time. The initial court applications to hear these matters are presently scheduled to be heard in May 2012.

6. THIRD PARTY DEPOSITS OR GUARANTEES

As outlined in the First Report, Mr. Art Stacey from Thompson Dorfman Sweatman LLP, counsel representing a body of creditors/investors for the Companies, previously provided the Trustee with a retainer in the amount of \$30,000 to cover the Trustee's initial fees and costs for the bankruptcies. The Trustee's fees and costs to date, including legal fees, have significantly exceeded the retainer amount. Mr. Stacey has also provided an additional \$15,000 to the Trustee's legal counsel to fund a portion of the legal costs to pursue the Shareholder Loan.

7. FEES AND COSTS OF THE TRUSTEE

The total fees and costs of the Trustee and its legal counsel to March 31, 2012 total approximately \$150,000 (before GST). The Trustee and its legal counsel have provided details of their fees to the inspectors throughout the administration. The estimated fees and costs required to complete the administrations are unknown at this time and will depend on the nature and extent of the litigation relating to the Preference Actions and the Shareholder Loan. If there are minimal recoveries on these legal actions, then the Trustee may suffer a shortfall on its fees and costs incurred to date.

Funds from realizations on any assets that form part of the estates will also need to be shared with BDO to cover any of their outstanding fees and costs from the proposal pootstanding fees and costs of approximately \$101,000 and the Inspectors have instructed the Trustee to attend at Court to dispute BDO's fees and costs. No Court date has been set yet for the taxation hearing.

8. ACTUAL RECEIPTS AND DISBURSEMENTS

The Trustee has prepared a consolidated statement of actual receipts and disbursements ("SRD") to April 17, 2012, which is attached to this Report as Schedule 1. As outlined in the SRD, the Trustee is currently holding \$102,157 of funds in trust. The significant receipt to date has been the net proceeds of approximately \$150,000 from the sale of the Silbiger insurance policy. The dividend of US \$88,250 from the ASA receivership is expected shortly. The actual disbursements to date include the payment of a portion of the outstanding fees of the Trustee and its legal counsel for \$61,835. The receipts and disbursements have not

been separated by estate in the SRD as the Trustee did not think it was useful information for this Report.

9. PROJECTED DISTRIBUTION AND COMMENTS ON ANTICIPATED REALIZATION

It is very difficult to provide an estimate of the projected distributions, if any, to the creditors/investors of the Companies due to the potential range of recoveries and related costs for the pending litigation with respect to the Preference Actions and the Shareholder Loan as well as any fees and costs that will be payable to BDO. As a result, the Trustee is unable to provide an estimate at this time but is expecting to provide this information in the next update when the status and potential recoveries of these pursuits are better known.

10. OTHER SIGNIFICANT ACTIONS

The Trustee and its counsel have been in ongoing contact with the RCMP, the Office of the Superintendent of Bankruptcy and the Alberta Securities Commission ("ASC"). The Trustee understands that the RCMP have not started an investigation of the Companies, but that they have been in contact with the ASC and that their file on this case remains open. The ASC issued a notice of hearing in December 2011 to Mr. DeLaet and to Mr. Stan Gitzel (the "Notice of Hearing") and a meeting was held in January 2012 to review several allegations by the ASC as against Mr. DeLaet and Mr. Gitzel in relation to the Companies. The Trustee attended the meeting and understands that the official hearing dates are set for October and November 2012. A copy of the Notice of Hearing is attached to this Report as Schedule 2.

11. NEXT STEPS

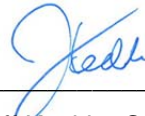
The Trustee is continuing to work with its legal counsel and the Inspectors to pursue the Preference Actions and the recovery of the Shareholder Loan. The Trustee is also continuing to monitor the actions of and correspond with the ASC and RCMP in regards to the steps they are taking with respect to the Companies and Mr. DeLaet.

The Trustee will provide a further update on its administration in due course.

Dated at Calgary, Alberta, this 19th day of April, 2012.

DELOITTE & TOUCHE INC.,

In its sole capacity as Trustee of the Estate of the Companies and not in its personal capacity.



Jeff Keeble, CA•CIRP, CBV
Senior Vice-President

Attachment: Schedule 1 – Statement of Interim Consolidated Actual Receipts and Disbursements as at April 17, 2012

**IN THE MATTER OF THE BANKRUPTCIES OF
THE FOCUSED GROUP OF COMPANIES**

STATEMENT OF INTERIM CONSOLIDATED ACTUAL RECEIPTS AND DISBURSEMENTS

As at April 17, 2012

	Amount	Note
ACTUAL RECEIPTS:		(1)
Sale of Silbiger policy, net	\$ 150,423	
Sale of office furniture	9,600	
Recovery of preference payment and other actions	3,974	(2)
Miscellaneous receipts	1,047	(3)
Interest revenue	57	
Net GST collected	(1,106)	
TOTAL ACTUAL RECEIPTS	163,995	
ACTUAL DISBURSEMENTS:		(1)
Trustee's fees	50,000	(4)
Trustee's legal fees	11,835	(4)
Bank charges	2	
TOTAL ACTUAL DISBURSEMENTS	61,838	
EXCESS OF ACTUAL RECEIPTS OVER DISBURSEMENTS	\$ 102,157	

Notes:

- (1)** This is a combined statement that includes receipts and disbursements related to Focused Life Capital Ltd., Focused Life Investments Ltd., Focused Life Investments 2 Ltd., 1323545 Alberta Inc. (General Partner of Focused Life Settlements 2 LP), Focused Money Solutions Inc., and Focused Money Capital Ltd. (collectively, the "Companies"). The allocation of these amounts will be determined when all matters are concluded.
- (2)** There are several other alleged preference payments that are being pursued by the Trustee and the potential net recoveries are not known at this time. The shareholder loan of \$600,000 (before interest) owing from Victor DeLaet is also being pursued.
- (3)** The Trustee has settled the claims as filed against the receivership of American Settlements Associates and a dividend payment of US \$88,250 is expected shortly.
- (4)** Trustee's fees and costs (including legal fees) total approximately \$150,000 to March 31, 2012, of which \$61,135 have been paid to date. The Trustee did receive a third party retainer of \$30,000 to help cover a portion of its fees and costs if they cannot be recovered from assets of the estates. The fees and costs of BDO Canada Limited that are approved by the Court that relate to the proposals previously filed by the Companies will also need to be paid from estate assets.