

**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 THIRD 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”) was named as the Proposals’ Trustee. The First Meeting of Creditors (“FMOC”) to consider the Proposals (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 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 third report to the creditors/investors (the “Report”). The Trustee’s first report was dated September 15, 2011 and the Trustee’s second report was dated April 19, 2012 (the “Second Report”).

The Trustee has held a total of ten meetings with the group of inspectors appointed by the creditors for the Companies (the “Inspectors”). Four of the ten meetings have been held since the date of the Second Report.

2. REALIZATION OF ASSETS

a) Insurance policies

As outlined in the Second Report, 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 Trustee investigated the viability of reinstating a second policy and contacted the life insurance provider. The insurance provider denied the informal reinstatement request, and it was agreed by the Inspectors that a formal reinstatement of the policy did not make practical or economic sense as this would require payment of significant reinstatement fees, the cooperation of the insured to take further medical tests and a renewal of the two year contestability period which is generally not attractive to buyers. As a result of these issues and no guarantee of success, this potential reinstatement was not pursued further by the Trustee.

The Trustee has had enquires regarding another lapsed insurance policy, but no party has made any offer. The Trustee, with the consent of the Inspectors, will not be pursuing

any other potential sales of lapsed insurance policies as it is not practical or economical to do so unless a favorable offer is received.

b) Office furniture and equipment

As outlined in the Second Report, 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 in Receivership ("ASA")

As outlined in the Second Report, the Trustee settled the claims of the Companies against ASA in the ASA receivership and received its pro-rata share of the only distribution in the receivership in May 2012 in the amount of \$86,686. The matter with ASA is now complete.

d) Shareholder loan receivable

Since the Second Report, the Trustee's counsel has obtained a judgment against Mr. Victor DeLaet for approximately \$827,000 (including accrued interest) with respect to a loan agreement wherein Mr. DeLaet borrowed funds from FMSI (the "Judgment"). As part of the Judgment, Mr. DeLaet signed a consent waiver of all defenses with respect to the debt, and undertook not to dispute or appeal the Judgment. The Judgment will give the Trustee an opportunity to examine Mr. DeLaet under oath. As a part of the examination process, the Trustee's counsel made a demand on Mr. DeLaet to complete a Statutory Declaration of Financial Statement of Debtor (the "Statutory Declaration") which required Mr. DeLaet to detail all assets and liabilities belonging to him. The Statutory Declaration reported, amongst other things, a number of ownership interests in shares of other companies. The Trustee's counsel arranged for a bailiff to seize the available shares and minute books of the various companies owned by Mr. DeLaet. In addition, the Trustee's counsel served a garnishee summons on a number of companies in which Mr. DeLaet is a shareholder to ensure that any funds owing to Mr. DeLaet were frozen.

After review of Mr. DeLaet's Statutory Declaration and other information, the Trustee was able to determine which of the shares owned by Mr. DeLaet had value. The Trustee sought the approval of the Inspectors to make an application to Court for an attachment order against Mr. DeLaet with respect to those shares. The attachment order was obtained and the shares have been frozen. The Trustee is proceeding with a Court application to have the shares vest in the Trustee and for the Trustee to be authorized to sell the shares. The ultimate value to be realized from the shares is not known at this time, as there is a limited market for them.

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 the Report), but no detailed review or reconciliation of the funds received and disbursed by the Companies has been completed. The Inspectors agree that the estates do not have the funds in place to pay the Trustee 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

The Canada Revenue Agency ("CRA") completed its trust audits and filed claims against FMSI and the Limited Partnership for the unremitted portion of the employees' payroll source deductions (the "Deemed Trust Claims"), which rank in priority to all other claims. The Trustee has paid approximately \$7,250 to CRA to satisfy its Deemed Trust Claims against the estates.

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 *Bankruptcy and Insolvency Act*, 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.

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 RELATING TO PREFERENCES AND TRANSACTIONS AT UNDER VALUE

As noted in the Second Report, the Trustee retained Miles Davison LLP, with the approval of the Inspectors, to act as its independent legal counsel. With the approval of the Inspectors, the Trustee's legal counsel has commenced proceedings against four parties with respect to potential preference payments (the "Preference Actions") made to two of the former accounting firms for the Companies along with a legal firm for Mr. DeLaet and a legal firm for the Companies.

To date the Trustee has recovered approximately \$65,000 with respect to the Preference Actions. The Trustee is continuing to pursue the remaining Preference Actions that have not been settled.

6. THIRD PARTY DEPOSITS OR GUARANTEES

As noted in the Second 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.

7. FEES AND COSTS OF THE TRUSTEE

The total fees and costs of the Trustee and its legal counsel to November 16, 2012 and October 29, 2012, respectively, total approximately \$250,000 (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 future litigation relating to the Preference Actions and the Judgment. If there are minimal recoveries on these matters, then the Trustee and its counsel may suffer a shortfall on its fees and costs incurred to date.

As noted in the Second Report, realizations on any assets that form part of the estates will need to be paid to BDO to cover their outstanding fees and costs from the Proposals. BDO had prepared a statement of receipts and disbursements that indicated their outstanding fees and costs total \$101,000 (the "BDO Fees") for all of the Companies. The Inspectors refused to approve the BDO Fees. The Trustee, with permission from the Inspectors, entered into settlement discussions with BDO with respect to the BDO Fees and is currently in the process of finalizing a settlement agreement with BDO.

8. PROJECTED DISTRIBUTION AND COMMENTS ON ANTICIPATED REALIZATIONS

It is very difficult to provide an estimate of the projected distribution to creditors/investors of the Companies, if any, due to the potential range of recoveries and costs relating to the Preference Actions and the Judgment. Furthermore the fees and costs that will be payable to BDO have not been finalized. As a result, the Trustee is unable to provide an estimate at this time, but is expecting to be able to provide this information in the next update when the status and potential recoveries of these pursuits are better known.

9. 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 has 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 conducted further hearings during the week of October 15, 2012 with respect to the misrepresentation allegations as against Mr. DeLaet and Mr. Stan Gitzel. The ASC has not yet published its decision.

10. NEXT STEPS

The Trustee is continuing to work with its legal counsel and the Inspectors to pursue the remaining Preference Action and the recovery of the Judgment. 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 3rd day of January, 2013.

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