

**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.

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE COMMISSION AND NEW LIFE**

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of 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. (together, “New Life” or the “Corporate Respondents”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Amended Notice of Hearing dated June 30, 2010 (the “Proceeding”) against the Corporate Respondents according to the terms and conditions set out in Part V of this Settlement Agreement. The Corporate Respondents, through and by KPMG Inc. in its capacity as the Court Appointed Receiver and Manager of New Life (the “Receiver”), agree to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. For this proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Corporate Respondents agree with the facts as set out in Part III of this Settlement Agreement.

New Life

4. The Corporate Respondents, together, make up New Life. New Life consists of New Life Capital Corp. (“NLCC”), New Life Capital Investments Inc. (“NLCI”), New Life Capital Advantage Inc. (“NLCA”), 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc. and 2173817 Ontario Inc. (the “Numbered Companies”), New Life Capital Strategies Inc. (“NLCS”) and 1660690 Ontario Ltd. (“1660690”).
5. By Orders of the Ontario Superior Court of Justice (Commercial List) in Court File No. 08-CL-7832 (the “Court”) dated December 17, 2008 and March 18, 2009, KPMG Inc. was appointed Receiver and Manager for New Life. New Life has not been operational since December 2008.
6. New Life divided responsibility among its various corporate entities: NLCC is a holding company which owns the other corporate entities; NLCI sold shares of its

own issue and holds a pool of life settlements; NLCA and the Numbered Companies sold shares of the Numbered Companies and each Numbered Company, other than 2173817 Ontario Inc., holds a partial beneficial interest in one or more specific life settlements; NLCS “sourced” or found life settlements for investment; and, 1660690 served an administrative purpose in connection with NLCI’s life settlements.

7. A life settlement is a sale of an existing life insurance policy to an investor for less than its maturity value. On purchase, the investor becomes the beneficiary of the policy and is responsible for payment of all premiums going forward. The investor profits when the policy matures and the benefits are paid.
8. The corporate entities worked together toward the common purpose of soliciting investors and their various activities were in all instances funded by investor funds. Investor funds flowed between various of the Corporate Respondents with no apparent business purpose.
9. NLCC was incorporated in Ontario on November 7, 2005. NLCC registered with the Commission as a limited market dealer (“LMD”) on July 30, 2007. NLCC has never sold a security and did not carry on any active operations, although from time to time it paid expenses related to its subsidiaries.
10. NLCI was incorporated in Ontario on December 22, 2005. NLCI is not registered with the Commission in any capacity. NLCI is a subsidiary of NLCC. NLCI sold its class A common shares to investors by way of an Offering Memorandum. Its business activities consisted of raising capital and investing in life settlements sold by U.S. residents. NLCI raised more than \$22 million from approximately 600 investors in Canada.
11. NLCA was incorporated in Ontario on December 19, 2005. It is a subsidiary of NLCC. The Numbered Companies were incorporated on various dates in 2006, 2007 and 2008. None of NLCA or the Numbered Companies have ever been

- registered with the Commission in any capacity. The business of NLCA and the Numbered Companies consisted of raising capital and investing in life settlements insuring the lives of U.S. residents. Each of the Numbered Companies, other than 2173817 Ontario Inc., holds a partial beneficial interest in a specific life settlement (as opposed to the pooled life settlements held by NLCI). NLCA and the Numbered Companies raised over \$600,000 from approximately a dozen investors in Canada.
12. NLCS was incorporated in Ontario on January 4, 2006. NLCS is not registered with the Commission in any capacity. NLCS is a subsidiary of NLCC. Its business activities consisted of “sourcing” life insurance policies through use of U.S. brokerage systems or financial planners, and by soliciting sales directly from seniors. NLCS did not issue and sell its own securities.
 13. 1660690 was incorporated in Ontario on July 29, 2005. It is a subsidiary of NLCI. It is not registered with the Commission in any capacity. 1660690 purchased 8 life insurance policies with an aggregate face value of USD 3,270,919. For 3 of these 8 policies, 1660690 designated the Numbered Companies as partial beneficiaries. NLCI, or one of its alias, did not directly purchase life insurance policies but acquired control of certain trusts that were the owners and beneficiaries of 14 life insurance policies with an aggregate face value of USD 80 million. NLCI became the beneficiary of these 14 life insurance policies as a result of its control of the trusts.

Trading Without Registration

14. As set out above, although NLCC is registered with the Commission as an LMD, NLCC has never traded in securities.
15. NLCI sold shares of its own issue from late 2005 until August 6, 2008, when the Commission ordered that it cease trading. It marketed those shares publicly and sold them to investors in Ontario and elsewhere in Canada. More than 600

- investors have bought units pursuant to NLCI's Offering Memorandum since 2006.
16. NLCA and the Numbered Companies sold shares of the Numbered Companies from late 2005 until August 6, 2008, when the Commission ordered that NLCA cease trading. They marketed those shares publicly and sold them to investors on incorporation of each of the Numbered Companies.
 17. NLCI, NLCA and the Numbered Companies engaged in the business of trading in securities as principals and therefore acted as market intermediaries. As such, they were, at minimum, required to be registered to trade in securities.
 18. The sole discernible business purpose of all of the Corporate Respondents was to facilitate New Life's business as it was promoted and sold to investors and their activities were in all instances funded by investor funds. The Corporate Respondents were under common management and were promoted to investors as a group of companies with a common purpose. Through their actions, all of the Corporate Respondents acted directly or indirectly in furtherance of trading in shares of New Life entities.
 19. None of the Corporate Respondents have at any time been registered to trade in securities other than NLCC, which was registered to trade in securities over the period from July 30, 2007 to August 6, 2008.

**PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW
AND THE PUBLIC INTEREST**

20. The Corporate Respondents' trading and acts in furtherance of trading shares of NLCI, NLCA and the Numbered Companies constituted trading in securities without registration, contrary to section 25 of the Act.

PART V – TERMS OF SETTLEMENT

21. The Corporate Respondents agree to the terms of settlement listed below.
22. The Commission will make an order pursuant to section 127(1) of the Act that:
 - (a) this Settlement Agreement is approved;
 - (b) the registration or recognition granted to any of the Corporate Respondents under Ontario securities law be terminated permanently;
 - (c) any exemptions contained in Ontario securities law do not apply to the Corporate Respondents permanently;
 - (d) the Corporate Respondents disgorge to the Commission the amount of \$22,508,784.50 (the “Disgorged Amount”) being the amount of monies raised from investors by the sale of shares of New Life entities contrary to Ontario securities law;
 - (e) subject to the approval of the Commission, the Disgorged Amount will be allocated pursuant to s. 3.4(2)(b) of the Act to or for the benefit of the following investors:
 - i. to each of the holders of class A shares of New Life Capital Investments Inc. (the “Class A Shares”) and each investor who paid for Class A Shares but for whom such Class A Shares had yet to be issued (collectively, the “Class A Shareholders”); and,
 - ii. to each of the holders of preferred shares of the Numbered Companies (other than 2100228 Ontario Inc. in which case, to the holder of common shares) (collectively, the “Numbered Company Shares” and the holders thereof the “Numbered Company Shareholders”);

- (f) subject to approval by the Court, the Receiver will distribute the Disgorged Amount to the Class A Shareholders and the Numbered Company Shareholders, directly, in the manner to be ordered by the Court; and,
- (g) Staff may apply to the Court under section 128 of the Act in accordance with Part VI of this Settlement Agreement with respect to any additional funds obtained by the Receiver in excess of the Disgorged Amount referred to in subparagraphs 22(d) and (e).

PART VI – SECTION 128 APPLICATION

- 23. Separate from these proceedings, Staff may apply to the Court pursuant to section 128 of the Act seeking:
 - (a) a declaration that the Corporate Respondents have not complied with Ontario securities law;
 - (b) an order authorizing and directing the Receiver to distribute any monies obtained by the Receiver of New Life in excess of the Disgorged Amount, subject to the rights of creditors of New Life, to the Class A Shareholders and the Numbered Company Shareholders in the manner to be ordered by the Court; and,
 - (c) any other order that the Court considers appropriate pursuant to section 128(3) of the Act.

PART VII – STAFF COMMITMENT

- 24. If the Commission approves this Settlement Agreement, Staff will not commence any other proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

25. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled to commence on April 4, 2011, or on another date agreed to by Staff and the Corporate Respondents, according to the procedures set out in this Settlement Agreement and the Commission’s Rules of Practice.
26. Staff and the Corporate Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Corporate Respondents’ conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
27. If the Commission approves this Settlement Agreement, the Corporate Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
28. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
29. Whether or not the Commission approves this Settlement Agreement, the Corporate Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission’s jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

30. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:

- (a) all discussions and negotiations between Staff and the Corporate Respondents before the settlement hearing takes place will be without prejudice to Staff and the Corporate Respondents; and,
- (b) Staff and the Corporate Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Amended Statement of Allegations dated June 23, 2010. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

- 31. The parties may sign separate copies of this Settlement Agreement. Together, these signed copies will form a binding Settlement Agreement.
- 32. A fax copy or electronic transmission of any signature will be treated as an original signature.

Dated this “18” day of “January” , 2010 “(11) TM”

“Richard Harris”
 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.,
 2126375 Ontario Inc., 2108375 Ontario Inc.,
 2126533 Ontario Inc., 2152042 Ontario Inc.,
 2100228 Ontario Inc., 2173817 Ontario Inc.,
 and 1660690 Ontario Inc.

 Witness

“Tom Atkinson”

 Director, Enforcement Branch