Court File No. 08-CL-7878

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

FIFTEENTH REPORT OF THE MONITOR
July 26, 2012

INTRODUCTION

1. On December 2, 2008, Universal Settlements International Inc. ("**USI**" or the "**Company**") filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36*,* as amended (the "**CCAA**") pursuant to provisions of an Order of this Court dated December 2, 2008 (the "**Initial Order**"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "**Monitor**") of the Company during these CCAA proceedings ("**CCAA Proceedings**").

2. On June 22, 2009, the Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "**Plan**") was approved by this Court pursuant to the CCAA following approval by the requisite majorities of Creditors at the Meetings of Creditors held on June 17, 2009. Attached as **Appendix "A"** is a copy of the Plan.

3. On July 21, 2009, USI implemented the Plan ("**Plan Implementation Date**") and the Monitored Account Agreement ("**Monitored Account Agreement**") came into effect to facilitate the implementation and administration of the Plan by the Company. In accordance with the Monitored Account Agreement, effective on the Plan Implementation Date, the Company and its escrow agent, Mills, Potoczak and Company ("**Mills**" and collectively with the Company, the "**Trustees**") began holding in trust the cash, insurance policies and other assets outlined in the Plan ("**Plan Assets**") for the benefit of the stakeholders of the Plan ("**Creditors**") to ensure that the Plan Assets are

dealt with in the manner provided for in the Plan. As a result, the Monitor does not have possession or control of the Plan Assets or the Company's records. The Monitor is responsible solely for monitoring the administration of the Plan Assets by the Company and Mills in accordance with the terms of the Plan and the Monitored Account Agreement.

4. To date, the Monitor has filed the following reports with this Honourable Court, which are available on the Monitor's website (www.ey.com/ca/universalsettlements):

Report	**Date**
First Report	December 17, 2008
Second Report	December 22, 2008
Third Report	January 8, 2009
Fourth Report	January 20, 2009
Fifth Report	February 23, 2009
Sixth Report	April 21, 2009
Seventh Report and Supplement to Seventh Report	May 7, 2009 and May 15, 2009
Eighth Report	June 10, 2009
Ninth Report	June 19, 2009
Tenth Report	July 14, 2009
Eleventh Report	December 9, 2009
Twelfth Report	January 7, 2011
Thirteenth Report	July 25, 2011
Fourteenth Report	December 8, 2011

5. In its Fourteenth Report dated December 8, 2011, the Monitor reported to Creditors and the Court with respect to, among other things, USI's attempt to secure financing to fund the deficit projected in the USI Forecast, the status of cash flow in the monitored trust account maintained by USI in accordance with the Plan (the "**Monitored Trust Account**") and the status of USI's outstanding litigations.

6. The purpose of this fifteenth report (the "**Fifteenth Report**" or "**Report**") is to provide an update to Creditors and to the Court on:

(a) the cash flow in the Monitored Trust Account from the Plan Implementation Date to May 31, 2012 (the "**Reporting Period")** and its comparison to the forecasted receipts and disbursements prepared by USI in support of the Plan (the "**Financial Model**") (as updated from the Fourteenth Report, which reported cash flow for the period ended October 31, 2011);

(b) USI's efforts to secure financing to fund the deficit projected in the USI Forecast;

(c) the ability of USI to make a distribution to Creditors; and

(d) results of the analyses prepared by Lewis & Ellis, Inc. ("**L&E**"), an actuarial consulting firm based in Dallas, Texas, for USI.

TERMS OF REFERENCE

7. In preparing this Report, the Monitor has relied upon unaudited financial information, USI's books and records, financial information prepared by USI and Mills, the Financial Model prepared by USI in support of the Plan, reports prepared by L&E for USI and discussions with USI's management and legal counsel. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Report. An examination of the Financial Model, cash flow forecast or any other future-oriented financial information as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this Report is based on the assumptions of USI's management regarding future events, and actual results achieved will vary from this information and the variations may be material.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

9. Capitalized terms not defined in this Report are as defined in the Initial Order, the Monitor's previous reports to this Court and the Plan.

THE MONITORED TRUST ACCOUNT

10. As noted by the Monitor in previous reports, the Plan provides that all policies and cash, including Premium Reserves, proceeds from the maturity of policies, and corporate cash, are held in trust for the benefit of Creditors under the Plan, pursuant to declarations of trust executed by USI and Mills.

11. In accordance with the Plan, USI established the Monitored Trust Account into which these funds were, and continue to be, deposited and held in trust by USI.

12. The Plan provides that the funds in the Monitored Trust Account may be used to pay the following costs of maintaining the assets for the benefit of Creditors: (i) Premiums on the Policies as and when due, (ii) Professional Costs, (iii) the Administration Fee, (iv) Borrowing Costs (v) the Litigation Contribution and (vi) Unaffected Claims (collectively, the "**Costs**").

13. The Plan provides that if sufficient funds are available in the Monitored Trust Account, as calculated in accordance with the Plan, a distribution may be made to Creditors. Before any distributions may be made out of the Monitored Trust Account, the Monitor must be satisfied, relying on information provided by USI, that there will be sufficient funds remaining in the Monitored Trust Account to pay Costs for the following two year period (the "**Reserve for Costs**"). The amount of the Reserve for Costs is determined based upon a rolling two year cash flow forecast prepared by USI quarterly. The amount of the Reserve for Costs is calculated conservatively, on the assumption that there are no policy maturities realized during the Forecast Period.

14. The Plan also requires any loans made against any Policies to be repaid prior to any distributions to Creditors. Once any policy loans are repaid, and the Monitored Trust Account contains funds equal to the amount calculated for the Reserve for Costs plus $5.0 million, a distribution may be made to Purchasers and Ordinary Creditors by payment out of the Monitored Trust Account into the Purchaser Pool and the Ordinary Creditor Pool of all amounts in excess of the Reserve for Costs, in the proportions as set out in the Plan.

Cash Flow in the Monitored Trust Account During the Reporting Period

15. In its Fourteenth Report dated December 8, 2011, the Monitor filed a copy of a Statement of Receipts and Disbursements for the period since the Plan Implementation Date (July 21, 2009) to October 31, 2011. The Monitor has continued to monitor policy maturities and transactions carried out in the Monitored Trust Account since its Fourteenth Report. As at May 31, 2012, the Trustees were holding cash in trust totalling approximately $1.8 million, as reflected in the Monitored Trust Account cash flow attached as **Appendix "B"**.

16. From October 31, 2011 to May 31, 2012:

    (a) four new maturities occurred with death benefits totalling approximately $2.5 million, of which approximately $1.0 was collected by USI prior to May 31, 2012 and deposited into the Monitored Trust Account and is included in the cash flow. The balance, which represents one maturity, was collected in July 2012. Currently, 134 policies representing approximately $170 million in death benefits have not yet matured;

    (b) policy loans and annuities were received from insurance companies totalling approximately $2.3 million;

    (c) $4.9 million in policy premiums were paid to insurance companies for policies that have not yet matured;

    (d) $780,000 in administration fees to USI and fees payable to Mills were paid; and

    (e) professional fees and disbursements totalling approximately $352,000 were paid.

Comparison of Cash Flow in the Monitored Trust Account to the Financial Model

17. As described in the Seventh Report to Court filed in respect of the Plan, in order to estimate whether distributions might be made under the Plan, USI, with the assistance of its financial advisors, prepared a Financial Model, based on a number of assumptions ("**Assumptions**") which were described in detail in the notes to the Financial Model.

18. The Seventh Report of the Monitor filed in connection with the filing of the Plan noted that if actual events, in particular the timing of maturities, deviated from the Assumptions reflected in the Financial Model, then USI's estimates of the amount and timing of distributions to Creditors as outlined in the Plan would change, and that those changes could be material.

19. The Financial Model was for a six year period commencing in April, 2009. It was prepared using a "Monte Carlo" simulation that was based on USI's historical maturities data and was described more fully in the Seventh Report. The Financial Model was updated by USI in July 2009 subsequent to Plan Implementation in order to reflect maturities realized from April to July 2009 and the corresponding adjustments to the cost of funding premiums.

20. USI has prepared a variance analysis that compares actual receipts and disbursements in the Monitored Trust Account to the Financial Model for the Reporting Period. Attached as **Appendix "C"** is a copy of this variance analysis for the Reporting Period.

21. The Financial Model forecasts positive net cash flow of $68.5 million for the Reporting Period. However, actual net cash flow during the Reporting Period was negative $8.0 million, resulting in a negative variance of $76.5 million ("**Negative Variance**"). The Negative Variance is due to fewer policies maturing during the Reporting Period than was forecast in the Financial Model which resulted in lower receipts and higher premium payments during the Reporting Period than was forecast.

22. In its Twelfth, Thirteenth and Fourteenth Reports, the Monitor advised Creditors that USI had projected that it would only have sufficient cash on hand to fund premiums and expenses to March 2012.

23. **As a result of the additional interim financing of approximately $2.3 million received from Policy Loans (hereinafter defined) and annuities, and four (4) maturities totalling approximately $2.5 million, USI has been able to continue to fund premiums and expenses in the ordinary course. However, based on the cash available as at May 31, 2012, if there are no new maturities in the intervening**

period, USI forecasts that it will not have sufficient funds to administer the Plan and pay policy premiums after September, 2012.

24. Since its Fourteenth Report, the Monitor has continued to discuss with USI the risk that sufficient funds may not be available after September, 2012, barring any further policy maturities, and that alternative measures will need to be undertaken to maintain the policies until their maturity. USI has advised the Monitor that it is in the process of negotiating financing terms with prospective lenders and has taken steps to ensure that measures are in place in advance of September, 2012 to protect against the loss of the value of any policies as a result of non-payment of premiums.

Status of Distributions to Creditors

25. Payment of a distribution to Creditors is subject to the conditions outlined in the Plan and which are described in previous reports of the Monitor. As described in detail in this Report, as there have not been sufficient maturities since the Fourteenth Report was filed in December 2011, these conditions have not been met and, as a result, a distribution to Creditors cannot be made. To date, there have been no distributions made to Creditors.

Verifications of Policy Coverage

26. As described in previous Reports, in order for USI to verify whether the data in its records associated with its policy portfolio was accurate, it had undertaken a review of its policies, which review included requesting verifications of the Policies from insurers and reviewing annual statements from insurers (collectively, "**Verifications**"). Paragraphs 37 to 62 of the Seventh Report provided a detailed analysis of USI's policies and their status based on the 2009 Verifications obtained by USI.

27. The Monitored Account Agreement requires that USI apply for Verifications from insurance companies annually. In 2012, USI has commenced the annual process of requesting Verifications from insurers and, to date, has obtained 132 Verifications of the 134 Policies outstanding in the portfolio.

Expiration of Policies

28. USI continues to monitor policies for expiration dates. The next policy to expire, if it does not mature beforehand, would expire in November 2013 when the insured's age reaches 75. The death benefit of this policy is $200,000. In 2015, there are three (3) additional policies which could expire if these policies do not mature beforehand, with death benefits, and current ages, of $850,000, $200,000 and $200,000 and 92, 97 and 92, respectively. The Monitor will continue to monitor this issue.

INTERIM FINANCING

29. The Plan permits USI to borrow funds, and to grant security over the policies, with the Monitor's prior written consent, if it is found to be necessary for the preservation of the policy portfolio including funding premium payments and the costs of administering the policies.

30. To date, USI has raised necessary financing by obtaining Policy Loans, as discussed in more detail below. However, as noted in previous reports, in addition to the Policy Loans, USI has determined that it is prudent for USI to obtain supplementary financing from a third party lender to ensure continued funds are available to pay premiums and costs.

31. In order to assist USI in its assessment of its financing needs from such lenders, USI determined that it was appropriate to commission an actuarial review of the Policies, so that the amount of required financing could be estimated. The results of the analysis received are discussed in detail below.

Policy Loans

32. USI has borrowed against the policies in the portfolio by way of policy loans, as is permitted by the Plan, in order to finance premiums and costs (the "**Policy Loans**"). There are currently 62 Policy Loans outstanding. The original amount of $3.9 million owing in respect of these Policy Loans has been reduced to approximately $3.5 million as

a result of USI allocating certain premium payments to the repayment of amounts outstanding.

33. In June 2012 USI began the process of applying for additional Policy Loans totalling approximately $500,000, of which approximately $120,000 has been received to date and the balance is expected to be received by August 2012.

34. As described in previous reports to this Court, the Policy Loans, including accrued interest, may be offset against the subject Policies' death benefits and, therefore, are not required to be repaid until the Policies mature. Interest rates charged by the insurers for the Policy Loans range from 4 % to 8%. Attached as **Appendix "D"** is a list of the Policy Loans outstanding at May 31, 2012.

Third-Party Financing

35. In June 2011, USI commenced the process of contacting lenders who have experience financing insurance premiums, provide financing to companies that are in the process of restructuring and/or represent high net worth individuals who may be interested in providing financing to USI. Between June 2011 and June 2012, USI carried out meetings with these parties and provided several of these parties with due diligence material for their review, including the L&E reports, described in detail below, which became available for their review at the end of April 2012.

36. As a result of these efforts, USI has obtained non-binding financing term sheets from lenders (the "**Lenders**") to provide USI with US $10 million to US $15 million in financing. USI is in the process of negotiating financing terms with the Lenders and is working towards completing a definitive financing agreement with one of the Lenders. Should there be a delay to finalizing the terms of a definitive agreement with a lender there is a risk that there would be insufficient funds available in the Monitored Trust Account to fund policy premiums beyond September 2012.

37. Each of the proposed Lenders has required, as a proposed term of any financing, the taking of security over the funds held in the Monitored Trust Account. The Plan does not specifically deal with security over such funds, although it does provide for security over

the Policies. The Monitor is of the view that the granting of security over the funds by USI in its capacity as trustee of the funds is consistent with the overall intention of the Plan. In the event that this is a requirement of any finalized financing terms, the Monitor intends to seek advice and directions from the Court to authorize the granting of such security.

STATUS OF THE PLAN

38. USI commenced CCAA Proceedings in order to enable it to explore, in an urgent manner through a structured process for the benefit of Purchasers, options for refinancing or restructuring its portfolio of policies in order to prevent policies from lapsing.

39. To date, the Plan has achieved its first objective, which was to allow for additional liquidity in order that Policies do not lapse. However, to date, there have not been sufficient policy maturities to allow any distributions to be made to Creditors.

40. At the time the Plan was conceived by USI, USI calculated in its Financial Model that it would take six (6) years for sufficient policies to mature in order to return 100% of Original Investments to Purchasers. In July 2012 it will be three (3) years since the Plan was implemented.

41. If there are insufficient maturities to allow for distributions to be made to Creditors, the only other method permitted in the Plan to allow for a distribution to Creditors is the sale of some or all of the policies in the portfolio. However, section 4.9 of the Plan only permits a sale of policies in the portfolio in the following situations:

(a) "After sufficient funds are available in the Purchaser Pool to pay to Purchasers Distributions equal to one hundred percent 100% of their Original Investments; or

(b) Prior to there being sufficient funds in the Purchaser Pool to pay to Purchasers Distributions equal to one hundred percent (100%) of their Original Investments if the proceeds from the Sale Process would be sufficient to pay to Purchasers Distributions equal to one hundred percent (100%) of their Original Investments."

42. It is anticipated that any financing negotiated by USI will have a term of 3 years, and as such will expire in approximately July or August, 2015. USI, in consultation with the Monitor, will need to make a determination in advance of the expiry of such financing, as to whether the policy portfolio should be sold and how such a sale may be implemented. If a sale occurs, it will be necessary to ensure that the sale process commences well in advance of that expiry date. At that time, the estimated proceeds available from the portfolio will determine whether or not a sale can be pursued under the Plan without an amendment to the Plan, on notice to Creditors.

REVIEW OF THE POLICY PORTFOLIO BY L&E

43. As noted above, in order for USI, the Monitor, and the Creditors to assess the current status and future maturity of the policy portfolio in relation to the Plan, evaluate the proposed financing of the portfolio, and consider other options in respect of the portfolio, if appropriate, USI has commissioned an actuarial review of the remaining 135 Policies (death benefits totalling $171.6 million) in the portfolio at March 31, 2012 by L&E. The Monitor understands that L&E was chosen by USI due to its extensive credentials in evaluating life settlement portfolios.

44. The reports prepared by L&E for USI included:

(a) actuarial valuations of the remaining 135 Policies as at March 31, 2012 and as at July 31, 2015, which is six (6) years from Plan implementation;

(b) an analysis of the policy portfolio which analysed premium reserve levels and future expected cash flows; and

(c) a discount rate analysis of the policy portfolio to analyse whether there are any policies in the portfolio which are too costly to keep and it would be more beneficial to the policy portfolio as a whole to allow these policies to lapse.

45. According to L&E's March 31, 2012 valuation of the Policy portfolio, there is insufficient value in the policy portfolio at this time to permit a sale of the portfolio of

policies under the Plan that would likely provide distributions to Purchasers equal to 100% of their Original Investments.

46. The analyses carried out by L&E were based on a number of assumptions and limitations which included that L&E:

(a) is not guaranteeing the performance or success of the Trust which holds the Policies;

(b) did not consider administrative and financing expenses in its calculations;

(c) valued the fund using a probabilistic approach;

(d) applied discount rates ranging from 15% to 20% to its actuarial valuation which, in its opinion, reflects the range of discount rates in the market for life settlements at March 31, 2012;

(e) relied on the forecast policy premiums provided by USI and generated by USI's policy premium optimization software;

(f) relied on the life expectancy values provided by USI for 117 of the 135 policies which were prepared for USI by qualified medical examiners, and L&E used actuarial tables to estimate the life expectancies of the remaining 18 policies;

(g) relied on the validity of the life insurance policies' insured information, benefits and structures as presented by USI;

(h) assumed that the Policies have no contingent liabilities, no unusual obligations or substantial commitments (other than those incurred in the ordinary course of business) and no pending or threatened litigation that would have a material effect on the portfolio; and

(i) assumed that none of the policies matured between March 31, 2012 and July 31, 2015, with regards to the actuarial valuation rolled forward to July 31, 2015, and that there were no changes in the underlying mortality ratings on each policy during that period.

L&E's Actuarial Valuations

47. It was L&E's opinion, based on the assumptions and limitations listed in L&E's actuarial valuation report, that:

(a) on March 31, 2012, the remaining 135 Policies had an estimated value ranging from $38.7 million to $46.1 million, or 23% to 27% of the value of the Policies' death benefits ($171.6 million); and

(b) on July 31, 2015, the remaining 135 Policies (assuming none mature between now and July 31, 2015) have a forecast estimated value ranging from $56.7 million to $63.0 million, or 33% to 37% of the value of the Policies' death benefits ($171.6 million).

48. L&E's Cash Flow Analysis, as described below, indicates that there should be maturities between March 31, 2012 and July 31, 2015 (and one has been confirmed for $1.5 million), however, after adding administration and financing costs to L&E's calculation, it is estimated that there will not be sufficient net cash flow to make a distribution to Creditors in accordance with the terms of the Plan before July 15, 2015.

49. According to L&E, the low valuation provided by L&E is primarily due to a high annual rate of return demanded by buyers in the current life settlement market which ranges from 15% to 20%. Should the buyers' required rate of return change in the period from March 31, 2012 to July 31, 2015, the value of the portfolio on July 15, 2015 will change as well.

L&E's Cash Flow Analysis

50. A second report prepared by L&E for USI was a Cash Flow Analysis which forecasts future net cash flow from the Policies, based on the assumptions and limitations listed in L&E's report. The purpose of the Cash Flow Analysis is to:

(a) assist USI in determining the amount of financing it requires in order to fund premiums until July 31, 2015 (year 6 of the Plan) should there be insufficient maturities in the portfolio to fund premiums during this period; and

(b) calculate the probability of the net cash flow at July 31, 2015 (year 6 of the Plan) being sufficient in order to return 100% of Original Investments to Purchasers as was forecasted by USI at the time the Plan was conceived.

51. L&E used a Monte Carlo simulation to randomly generate the life expectancy by policy based upon each insured's survival curve which was developed during the actuarial valuation and was based upon data provided by USI. The analysis simulated 25,000 iterations.

52. In summary, L&E concluded, based upon the assumptions and limitations in its report and before considering administration and financing costs, that:

(a) it is 95% confident that if USI borrows $9.4 million it will be sufficient to fund premiums (excluding administration and financing costs) over the life of the portfolio, assuming no distributions are made to investors during that time;

(b) for the period ending July 31, 2015, L&E expects the net cash flow generated from the portfolio to be positive; however, USI believes it is prudent to have a borrowing facility in place to finance premiums and administration costs, if required;

(c) for the period ending July 31, 2015 there may not be sufficient net cash flow generated from the Policies to make a distribution to Creditors of USI even before including administration and financing costs; and

(d) there is close to 0% probability at July 31, 2015, and a 3% probability at the time of maturity of all the Policies, that the net cash flow generated from the portfolio will be sufficient in order to return 100% of Original Investments to Purchasers, even before including administration and financing costs.

L&E's Discount Rate Analysis

53. The third analysis prepared by L&E for USI was a breakeven discount rate analysis which evaluated whether the cost of keeping each individual policy until its forecast

maturity date would be greater than the value of the policy's death benefit, before considering administration and financing costs.

54. L&E concluded that there are sixteen (16) policies with aggregate death benefits of $4.7 million (3% of the death benefit value of the portfolio) which, based on its assumptions and limitations, should be allowed to lapse. However, L&E advised that prior to allowing any of these sixteen (16) policies to lapse, USI should investigate each policy to be certain that the assumptions applied by L&E to each policy are entirely accurate.

55. USI has completed its investigation of these sixteen (16) policies and concluded that one (1) policy with a death benefit of $50,000 should be allowed to lapse, but that the remaining policies should continue to be serviced. USI recommends permitting this one (1) policy to lapse because the cost to service the policy to maturity is now estimated to be greater than the death benefit. With respect to the remaining policies which USI recommends not be permitted to lapse, USI considered the age of the insureds, annual premiums and the insureds life expectancy in its assessment, and believe that there may be sufficient value in continuing to maintain these policies. The Plan does not permit USI to allow any policies to lapse. The cost to make the Court application and seek the Court's approval to allow that one policy to lapse is an additional factor that would be taken into consideration in evaluating the cost savings to the Creditors of lapsing the policy. As a result, at this time, USI does not recommend that any policies should be lapsed.

56. The Monitor has discussed the results of the L&E reports with USI. USI has informed the Monitor that it believes that the best course of action in the circumstances is to obtain sufficient financing to continue to run-off the policies until July 2015, as it believes that better value can be achieved for Creditors by doing so. USI indicated that current market conditions for life settlements are such that buyers are offering lower prices for policies in the market. Whether market conditions will improve or not in the next three years is uncertain. USI has also indicated that since the average age of the insureds in the portfolio is in the late 80s, USI expects there to be an increase in maturities in the coming years. The Monitor will continue to report to Court in this regard.

57. For the reasons described above, USI recommends that the Plan not change at this time. Furthermore, USI intends to re-evaluate the Plan again in one year, and make a further recommendation to the Court at that time.

STATUS OF LITIGATION AND LITIGATION CONTRIBUTION

58. As described during the course of the CCAA proceedings, as of the date of commencement of the CCAA proceedings, USI was involved in litigation in two actions: (1) *Universal Settlements International Inc. v. Antonio Duscio*, (the "**Duscio Claim**"); and (2) a claim issued in the United States titled *Universal Settlements International Inc. v. James Torchia, Marc Celello, and National Viatical Inc.* (the "**National Viatical Claim**").

59. USI advised Creditors and the Court in its motion on January 11, 2011 that it had settled the National Viatical Claim in principle, on terms. At that hearing, USI obtained an order that the Plan did not require the approval of the Court of such settlement. However, subsequent to that motion, one of the defendants to the National Viatical Claim sought to have the settlement set aside. Legal proceedings were commenced by that defendant to restrain USI from enforcing the settlement agreement among the parties. The U.S. litigation has been moved back to the Federal Court in Michigan, where the action had originally been commenced. A motion has been filed to lift the injunction on enforcement of the settlement. All materials have been filed in respect of that motion and counsel for USI are awaiting a decision from the judge seized of the action. There is no timetable for a decision. If a favourable decision is received, then a notice of default may be sent under the settlement terms and the defendants will have 10 days to pay the settlement amount. If the decision is unfavourable, a further trial on the alleged breach of the settlement terms by USI will have to be conducted.

60. With respect to the Duscio Claim, in its Twelfth and Thirteenth Reports, the Monitor had reported that Mr. Duscio had commenced proceedings in the Court to set aside an arbitrator's decision awarding the proceeds of the Escrow Funds to USI. On May 16, 2011, the Court released its decision, finding in favour of Mr. Duscio, and setting aside the award of the Escrow Funds to USI. Had the award of the arbitrator been upheld, the

Escrow Funds would have been contributed to the Monitored Trust Account in accordance with the Plan. USI filed a motion with the appellate court to appeal the May 16, 2011 decision and obtained leave to appeal. An appeal was subsequently heard in which the Court of Appeal upheld the judgment of the lower court in part. The effect of the decision is that the arbitration award has been overturned, the Escrow Funds will not be available for transfer to the Monitored Trust Account and USI would have to recommence the proceedings in order to recover on the Duscio Claim.

ALL OF WHICH is respectfully submitted this 26th day of July, 2012.

ERNST & YOUNG INC.,
Court-appointed Monitor of Universal Settlements International Inc. and not in its personal or corporate capacity.

Per:

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Brian Denega
Senior Vice-President

Per:

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Rahn Dodick
Vice-President

Appendix A

Appendix "A"

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

PURSUANT TO THE

COMPANIES' CREDITORS ARRANGEMENT ACT **(CANADA)**

June 16, 2009

This Plan has not been approved or sanctioned in any way by the Ontario Superior Court of Justice (the "Court") pursuant to the proceeding brought by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended, and bearing Court File No. 08-CL-7878. Rather, the Court has only authorized that this Plan be sent to creditors of the Applicant for the purposes of allowing the Applicant to hold a meeting of creditors wherein its creditors may vote on whether or not to approve the Plan. Nothing in this Plan is to be taken as the Court having passed on the merits of this Plan.

AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

This is the amended plan of compromise and arrangement of Universal Settlements International Inc. (the "**Plan**").

ARTICLE 1
INTERPRETATIONS

1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

"**Actions**" has the meaning given to that term in Section 2.3 of this Plan.

"**Administrative Fee**" means the administrative fee set out in Schedule A to this Plan, for the performance of the services also set out in Schedule A to this Plan, payable to the Applicant monthly in advance from the Monitored Trust Account for each month (or part thereof) starting on Plan Implementation and continuing until the earlier of (i) the date on which one hundred percent (100%) of the Original Investment of Purchasers has been paid, (ii) six years from the Plan Implementation Date, and (iii) the Court otherwise directs.

"**Agent**" means any Person who acted to facilitate a purchase of a Life Settlement by a Purchaser, and for the purposes of this Plan shall include Universal Settlements Vermogensberatung GmbH.

"**Annuities**" means annuities payable to the Applicant or Mills under the Policies.

"**Applicant**" means Universal Settlements International Inc.

"**Borrowings**" means any borrowings for the payment of Premiums, the Professional Costs, the Administrative Fee and/or Mills' fees, as permitted by Section 4.4 of this Plan.

"**Borrowing Costs**" means any borrowing costs incurred with respect to Borrowings.

"**Business Day**" means a day other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario, Canada.

"**Cash on Hand**" has the meaning given to that term in Section 2.4 of this Plan.

"**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

"**CCAA Proceedings**" means the proceedings under the CCAA commenced by the Applicant in the Ontario Superior Court of Justice, Toronto (Commercial List) under Court File No. 08-CL-7878.

"**Charges**" means the Administration Charge and Directors' Charge, as those terms are defined in the Initial Order.

"**Claim**" means (i) any right of any Person against the Applicant in connection with any indebtedness, liability or obligation of any kind of the Applicant, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing on or prior to the Valuation Date or which would have been claims provable in bankruptcy had the Applicant become bankrupt on the Valuation Date (each a "Claim", and collectively, the "Claims"), and (ii) any right of any Person against the Directors of the Applicant that relates to the Claims for which the Directors of the Applicant are by law liable to pay in their capacity as directors, provided however that the terms "Claim" and "Claims" shall not include (i) Unaffected Claims, (ii) any claims made in the Actions.

"**Claims Procedure Order**" means the Order of the Court made on January 23, 2009 in the CCAA Proceedings.

"**Classes**" means the classes of Creditors for the purposes of considering and voting upon this Plan in accordance with the provisions of this Plan, and receiving Distributions hereunder.

"**Corporate Policies**" means the interests in life insurance policies that are not identified on the records of the Applicant or Mills as allocated to a Purchaser as of the Valuation Date, and in which the Applicant had retained such interest for its sole benefit, including any interest of the Applicant in policies held in the USII Trust.

"**Costs**" has the meaning given to that term in Section 4.2 of this Plan.

"**Court**" means the Ontario Superior Court of Justice (Commercial List) in Canada.

"**Creditor**" means any Purchaser, Ordinary Creditor, or any other Person having a Claim, and "**Creditors**" means all of such Persons.

"**Creditor Approval**" means the approval of this Plan by each Class of Creditors.

"**Crown**" means Her Majesty the Queen in the Right of Canada or any province thereof.

"**Death Benefit Maturity Funds**" means all monies that have been or are received by the Applicant prior to the Plan Implementation Date from matured Policies, and which monies continue to be held by the Applicant on the Plan Implementation Date.

"**Director**" means any director of the Applicant as of the date of this Plan, and "**Directors**" means all of such directors.

"**Distributions**" are the amounts available for distribution to Purchasers and to Ordinary Creditors, from the Purchaser Pool, ROI Pool and the Ordinary Creditor Pool, respectively.

"**Effective Time**" means noon (Eastern Standard/Daylight Time) on the Plan Implementation Date.

"**Escrow Fund**" means those monies paid into escrow pursuant to an interim award of the arbitrator dated January 16, 2007, in Re In the Matter of an Arbitration between The Brokerwise Group Inc. and 1508211 Ontario Inc., claimants, vs. Antonio Duscio and Martina Capital Corporation, respondents, and the term "Escrow Fund" shall include (i) any amounts previously paid out of the Escrow Fund to Antonio Duscio and which are subsequently repaid by him to the Escrow Fund, and (ii) any interest or gains on the Escrow Fund, net of applicable taxes, but for the purposes of this definition, Escow Fund shall be net of any legal costs or disbursements incurred to recover the Escrow Fund.

"**Initial Order**" means the Order of the Court dated December 2, 2008, made in the CCAA Proceedings.

"**Initial Order Date**" means December 2, 2008.

"**Insurance Proceeds**" means death benefits in respect of matured Policies together with any Annuities, interest and dividends, any return or refund of Premiums, and any other amounts paid by insurance companies with respect to the matured Policies.

"**Life Settlement**" means a financial transaction whereby owners of life insurance policies sell their legal title and beneficial interest in such policies to a third party at a discount from the face value of such policies.

"**Litigation Contribution**" means an amount not to exceed the aggregate of (i) U.S. $500,000 to be contributed, pursuant to Section 4.5 of this Plan, from the Monitored Trust Account toward payment of the legal fees and disbursements incurred by the Applicant in the Actions, and (ii) the Escrow Funds to be paid to the Monitored Trust Account pursuant to Section 2.5 of this Plan and to be applied toward payment of any additional legal fees and disbursements incurred by the Applicant in the Actions.

"**Litigation Recovery**" means any proceeds received by the Applicant from the determination or settlement of either or both of the Actions, and shall include any costs recovered by the Applicant in the Actions, but shall exclude the Escrow Funds payable to the Monitored Trust Account in accordance with Section 2.5 of this Plan.

"**M-Series Trust**" means the trust created pursuant to a Master Declaration of Trust dated March 21, 2008 between Universal Settlements International Inc. and Mills (as defined below).

"**mature**": a Policy matures when the individual whose life is insured under that Policy dies, and "**maturity**" and "**Matured Policy**" shall have a corresponding meaning.

"**Meeting Order**" means the Order of the Court made on May 11, 2009 in the CCAA Proceedings.

"**Meeting**" and "**Meetings**" means the meeting or meetings of Creditors called for the purpose of considering and voting in respect of this Plan pursuant to the CCAA.

"**Mills**" means Mills, Potoczak & Company, in its capacity as the United States of America service agent for the Policies on behalf of the Applicant.

"**Monitor**" means Ernst & Young Inc., solely in its capacity as the Monitor appointed pursuant to the Initial Order, and not in its personal capacity.

"**Monitored Trust Account**" means a bank account established by the Applicant and held at a Canadian chartered bank, into which (from and after Plan Implementation) shall be deposited the Cash on Hand, all Insurance Proceeds, all Litigation Recovery and any TPI Proceeds.

"**Monitored Account Agreement**" means the agreement to be executed by the Monitor and the Applicant as provided for under Section 4.2 of this Plan.

"**Order**" means any order of the Court in the CCAA Proceedings.

"**Ordinary Creditors**" means all Creditors other than Purchasers.

"**Original Investment**" means the initial investment made by a Purchaser, as determined pursuant to the Claims Procedure Order or any subsequent Order, without interest or any other return on such initial investment.

"**Ordinary Creditor Pool**" means a pool of funds created for payment of Distributions to Ordinary Creditors, as described in Section 4.8 of this Plan.

"**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

"**Plan**" means this plan of compromise and arrangement filed by the Applicant pursuant to the Initial Order and the CCAA, as such Plan may be further amended, varied or supplemented from time to time.

"**Plan Circular**" means a circular dated May 5, 2009 wherein this Plan is summarized and discussed.

"**Plan Implementation Date**" means the date that is one (1) Business Day after the satisfaction of all conditions precedent in section 6.2 of this Plan, or such later date as the Applicant and the Monitor may agree in writing, and "**Plan Implementation**" shall have a corresponding meaning.

"**Policies**" means Purchaser Policies and Corporate Policies.

"**Pools**" means, collectively, the Purchaser Pool, the ROI Pool and the Ordinary Creditor Pool.

"**Premiums**" mean the amounts payable by the Applicant to keep the Policies in good standing, as determined by the Applicant and Mills.

"**Premium Reserves**" means the funds that were previously segregated for the purposes of paying Premiums for specific Policies.

"**Professional Costs**" has the meaning given to that term in Section 2.6 of this Plan.

"**Proven Claim**" means the Claims of Creditors which are Proven Claims within the meaning given to that term in the Claims Procedure Order.

"**Purchaser**" means a person who, pursuant to a purchase agreement with the Applicant or an Agent, purchased an interest in a Life Settlement, and from whom the Applicant received monies for this purpose.

"**Purchaser Policies**" means the interests in life insurance policies that are identified on the records of the Applicant or Mills as allocated to a Purchaser as of the Valuation Date, but not including those Purchasers' interests in policies held in the M-Series Trust or in the USII Trust.

"**Purchaser Pool**" means a pool of funds created to provide Purchasers with a return of their Original Investments, as described in Section 4.6 of this Plan.

"**Reserve for Costs**" has the meaning given to that term in Section 4.3 of this Plan.

"**ROI Pool**" means a pool of funds created to provide Purchasers with an amount over and above their Original Investments, as described in Section 4.7 of this Plan.

"**Sale Process**" means a sale process that may be conducted by the Monitor in accordance with and upon fulfillment of the conditions set out in Section 4.9 of this Plan.

"**Sanction Order**" means an Order on terms satisfactory to the Applicant and the Monitor approving and sanctioning this Plan.

"**Secured Claim**" means any Claim or portion thereof that is secured by a security interest, pledge, mortgage, lien, hypothec or charge on any property of the Applicant, but only to the extent of the value of the security in respect of the Claim, and for greater certainty, the Charges each constitute a Secured Claim.

"**Shareholders**" means the current shareholders of the Applicant, being The Brokerwise Group Inc. and 1508211 Ontario Inc.

"**Success Fee**" means the success fee, if any, payable to the Applicant pursuant to Section 4.10 and Schedule B of this Plan.

"**Tax Refunds**" means all tax refunds, including sales tax refunds, received by the Applicant at any time and relating to the period prior to the Initial Order Date.

"**TPI Proceeds**" means the net proceeds from the sale of the TPI Portfolio, approved by the Court by Order dated December 23, 2008.

"Unaffected Claims" has the meaning given to such term in section 2.6 of this Plan and "Unaffected Claim" means any one of such Unaffected Claims.

"Undistributed Distributions" has the meaning given to such term in Section 5.5 of this Plan.

"USII Trust" means the trust created pursuant to a Trust Agreement dated June 30, 2008 between Universal Settlements International Inc. and Valenzano & Pillo LLP.

"Valuation Date" means January 23, 2009.

1.2 Construction

In this Plan, unless otherwise stated or the context otherwise requires:

(a) the division of the Plan into articles and sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of the Plan;

(b) the words "hereunder", "hereof" and similar expressions refer to this Plan and not to any particular article, section or schedule and references to "Articles", "Sections", and "Schedules" are to articles and sections of and schedules to this Plan;

(c) words importing the singular include the plural and vice versa and words importing any gender include all genders;

(d) the word "including" means "including without limiting the generality of the foregoing";

(e) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder;

(f) a reference to any agreement, indenture or other document is to that document as amended, supplemented, restated or replaced from time to time;

(g) references to dollar amounts are to Canadian dollars, unless otherwise indicated;

(h) Undistributed Distributions shall be deemed to be paid as of the date of the payment of the Distributions to which they relate, for the purposes of (A) determining when contributions to the Purchaser Pool cease, and contributions to the ROI Pool begin, (B) determining when a transfer from the Purchaser Pool to the ROI Pool should occur, pursuant to Section 4.10(a) of this Plan, (C) determining if and when the initial Success Fee (of U.S. $1,000,000) should be paid, (D) determining the date on which payment of the Administrative Fee ceases; and

(i) references to times are to local time in Toronto, Ontario, Canada.

1.3 Conversion

The Claims of Purchasers are in U.S. dollars, and may be dealt with entirely in U.S. dollars. All payments hereunder to Purchasers shall be in U.S. dollars. The Claims of Ordinary Creditors that are denominated in a currency other than lawful money of Canada are to be converted to the equivalent thereof in lawful money of Canada at the noon rate of exchange as quoted by the Bank of Canada on the Valuation Date.

1.4 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

1.5 Date for any Action

If any date on which any action required to be taken hereunder by a Person is not a Business Day, such action must be taken on the next succeeding day which is a Business Day.

1.6 Schedules

The following are the Schedules to this Plan:

Schedule A	Administrative services to be provided
Schedule B	Methodology for payment of Distributions from the ROI Pool

ARTICLE 2
PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purpose of the Plan is to effect a compromise and arrangement of all Claims.

2.2 Overview

This overview is provided to assist the reader in understanding the Plan. Reference is also made to the Plan Circular, wherein further information with respect to the Plan is provided. In the event of an inconsistency between the overview in this Section 2.2 and the other provisions of the Plan, such other provisions shall govern. In the event of an inconsistency between the Plan Circular and the provisions of this Plan, this Plan shall govern.

The structure of the Plan and the flow of monies thereunder may be summarized as follows:

(a) Commencing on Plan Implementation, all Cash on Hand, Litigation Recovery, and remaining TPI Proceeds will be paid into the Monitored Trust Account. All Insurance Proceeds will continue to be received from the respective insurance companies by the Applicant, or Mills, each of whom shall receive such funds in trust for the benefit of this Plan, and each of whom will immediately pay and deposit the Insurance Proceeds into the Monitored Trust Account.

(b) Pursuant to the declaration of trust referred to in Section 6.2(e) of the Plan, effective on the Plan Implementation Date the Applicant will declare that it holds all Policies, Insurance Proceeds, Cash on Hand, Litigation Recovery, Tax Refunds, remaining TPI Proceeds and any other amounts to be deposited into the Monitored Trust Account in trust for the beneficiaries of the Plan, and that the Policies, Insurance Proceeds, Cash on Hand, Litigation Recovery, remaining TPI Proceeds and any other amounts shall be dealt with only in the manner provided for in the Plan. Pursuant to the trust declaration, no alteration in the Plan will affect the fact that the Policies are held in trust for the beneficiaries of the Plan.

(c) The Monitor and the Applicant shall enter into the Monitored Account Agreement.

(d) The majority of funds in the Monitored Trust Account will be available to pay Distributions to Purchasers and Ordinary Creditors in accordance with this Plan. However, the funds in the Monitored Trust Account will also be used to pay certain limited costs, being (i) Premiums on the Policies as and when due, (ii) Borrowing Costs, (iii) Professional Costs, (iv) the Administrative Fee and Mills' fees, (v) the Litigation Contribution, and (vi) Unaffected Claims, as provided for at Section 4.2 of the Plan.

(e) A Reserve for Costs will be maintained in the Monitored Trust Account, in accordance with Section 4.3 of the Plan. Once the funds available in the Monitored Trust Account exceed the Reserve for Costs amount by U.S. $5 million or more, 96.15% of such excess will be transferred into the Purchaser Pool (or the ROI Pool, as the case may be), which shall be used to pay Distributions to Purchasers, and 3.85% of such excess will be transferred into the Ordinary Creditor Pool, which shall be used to pay Distributions to Ordinary Creditors.

(f) Due to the costs of making a Distribution, it is anticipated that Distributions will be paid annually, and in any event not more frequently than semi-annually, in each case subject to availability of funds for the payment of Distributions.

(g) Distributions will be paid out of the Purchaser Pool until such time as Purchasers have been paid one hundred percent (100%) of their Original Investments, in aggregate. Distributions out of the Purchaser Pool will be calculated and paid based on the Original Investments, without interest or any other return. The Applicant anticipates that over approximately a six-year period the Purchaser Pool will pay sufficient Distributions to pay to Purchasers one hundred percent (100%) of their Original Investments.

(h) After Purchasers have been paid one hundred percent (100%) of their Original Investments, the ROI Pool shall be funded from the Monitored Trust Account, if additional monies are available. In addition, the Applicant is entitled to a Success Fee if one hundred and ten percent (110%) of Purchasers' Original Investments are paid, as described in Section 4.10 of this Plan.

(i) Distributions out of the ROI Pool will enable Purchasers to obtain a return on their investments, over and above their Original Investments; such Distributions will be paid based on the methodology found in Schedule B to this Plan.

(j) Distributions to Ordinary Creditors will be paid out of the Ordinary Creditor Pool, based on the Proven Claims of those Ordinary Creditors.

(k) A Sale Process relating to the Policies may in appropriate circumstances be conducted, as set out in Section 4.9 of this Plan.

2.3 Benefits of the Plan

It is the Applicant's view that the Plan offers several benefits to the Creditors, and will result in a maximization of the Distributions available to Creditors. The Applicant has identified the following benefits of a successful Plan implementation:

(a) This Plan will prevent a liquidation sale of the Applicant's portfolio of Policies. The Applicant believes that such a liquidation sale would generate net proceeds well below what this Plan will return to Creditors, and well below the Original Investments of Purchasers.

(b) The Applicant and Mills are very familiar with the portfolio of Policies and have been managing and administering this portfolio since inception. As such, there are existing processes and procedures in place, including databases, document management capabilities, insured monitoring protocols and other technological systems, all of which provide for the efficient maintenance of the portfolio. In addition, the Applicant and Mills have qualified administration staff who have relationships with insurance carriers, agents and the insured persons, and who routinely process premiums, track insured lives, and process death claims.

(c) This Plan will also permit the Applicant to utilize the Litigation Contribution to continue with two actions (the "**Actions**") currently outstanding, being *Universal Settlements International Inc.* v. *James Torchia, Marc Celello* and *National Viaticals Inc.* (United States District Court, Western District of Michigan, Court file no. 1:07-cv-1243) and in *Universal Settlements International Inc.* v. *Antonio Duscio et al.* (Ontario Superior Court of Justice, Court file no. 06-CV-323645 PD3), from which the Applicant expects to receive a net recovery. The potential benefit of the Actions may be lost if the Applicant does not continue to operate. As described in Section 4.5 of this Plan, all Litigation Recovery will be paid into the Monitored Trust Account.

(d) A typical Life Settlement transaction between the Applicant and a Purchaser commenced with the execution of a purchase agreement. The terms of the Applicant's purchase agreements evolved slightly over time as programs changed. The terms of many purchase agreements are ambiguous in some respects, and there is some doubt as to whether some Purchasers have (i) a claim only as a creditor of the Applicant, and no direct claim to the Policies purchased by the Applicant on their behalf, or (ii) a direct claim in the Policies purchased by the Applicant on their behalf. Except with respect to the life insurance policies held in the M-Series Trust or the USII Trust, since such policies are held in trust for the Purchasers of such policies, for the purposes of the Plan, all Purchasers will be treated as Creditors. The Applicant is strongly of the view that the approval and implementation of the Plan will return to Purchasers, in aggregate, more than the Purchasers would realize if they were to assert a direct ownership or beneficial interest in the Policies previously allocated to the Purchasers.

2.4 Cash on Hand to be paid into Monitored Trust Account

As of the close of business on June 25, 2009, the estimated Plan Implementation Date, the Applicant anticipates that the aggregate of approximately U.S. $8.7 million will be available for contribution into the Monitored Trust Account, such aggregate amount consisting of (i) cash in possession of the Applicant as of Plan Implementation Date, (ii) Premium Reserves, and (iii) Death Benefit Maturity Funds (collectively, "**Cash on Hand**").

2.5 Escrow Fund

The Shareholders have agreed that any and all portions of the Escrow Fund that are released to the Shareholders, or the Applicant, shall be paid into the Monitored Trust Account. Upon any release of all or any part of the Escrow Fund, it shall be deposited directly to the Monitored Trust Account, pursuant to a direction to be executed by the Applicant and the Shareholders. If all or any part of such amount is needed for the payment of the Applicant's legal fees and disbursements in the Actions, the Applicant shall be entitled to the release of all or part of such amount, upon presentation to the Monitor of a copy of an invoice or other similar documentary record of the amount to be paid, to the Applicant for such purpose. If not needed for payment of the Applicant's legal fees and disbursements in the Actions, 50% of the remaining balance of the Escrow Fund shall be paid directly to the Shareholders and the remaining 50% shall remain in the Monitored Trust Account to be distributed as otherwise provided for in this Plan. The

Monitor shall not be obliged to consider the reasonableness of the request for payment of any amount for the payment of legal fees equal to the amount of the Escrow Fund deposited to the Monitored Trust Account.

2.6 Unaffected Claims

This Plan does not affect the following claims, liabilities or other obligations of the Applicant, except as may expressly provided under the terms of any Order:

(a) *Post Filing Goods and Services* – the claims arising in respect of goods or services supplied after the Initial Order Date and prior to Plan Implementation;

(b) *Professional Advisors* - the claims of the Monitor and of the legal advisors to the Applicant and the Monitor for fees and disbursements (the "**Professional Costs**") incurred or to be incurred in connection with and incidental to (i) the CCAA Proceedings, (ii) the preparation, approval and administration of this Plan, and (iii) the recovery of Insurance Proceeds and the protection of the Policies, in each case other than fees and disbursements incurred with respect to the Actions.

(c) *Directors and Officers* – the Claims of individuals who are current officers or Directors of the Applicant for indemnity pursuant to indemnities provided by the Applicant.

(d) *Secured Creditors* – the Secured Claim of any Person.

(c) *Insured Claims* – the Claims arising in the ordinary course of business against the Applicant which are covered by insurance held by the Applicant ("Insured Claims"), including the Claims or portions of Claims which are below the deductible amounts in such insurance policies, provided, however, that the Applicant shall not be obliged to pay any obligations in respect of deductibles arising on or before the Initial Order Date. For greater certainty, Insured Claims shall have recourse solely against the applicable insurers, and neither the Person having an Insured Claim, nor the insurer itself (whether by subrogation or otherwise) shall have any recourse with respect to the Insured Claim as against the Applicant, or any Proven Claim for the purpose of the Plan.

(f) *Claims of the Crown* – Claims of the Crown referred to in paragraph 18.2(1) of the CCAA.

2.7 Affected Persons

On Plan Implementation, the Plan will become effective and be binding on the Applicant and the Creditors and all other Persons affected by the provisions of this Plan.

Other than the Corporate Policies, this Plan does not affect any policies held in the M-Series Trust or the USII Trust, since such policies are held in trust for the Purchasers of such policies. For greater certainty, however, this Plan does affect, compromise and release any Claim that any Purchaser of such policies may have against the Applicant or other Persons.

2.8 Persons not affected by this Plan

Except to the extent that they may be generally affected by the declarations of trust herein, (i) Persons holding Unaffected Claims shall not be affected by the compromise and arrangements set out in this Plan, and (ii) Persons with claims in the Actions shall not be affected by the compromise and arrangements set out in this Plan.

ARTICLE 3
CLASSIFICATION OF CREDITORS

3.1 Classification of Creditors

The classification of Creditors for the purpose of considering and voting on this Plan and receiving Distributions hereunder are:

(a) Purchasers; and

(b) Ordinary Creditors.

ARTICLE 4
TREATMENT OF CREDITORS

4.1 Compromise of Claims of Creditors

For the purposes of this Plan, the Creditors shall receive the treatment as provided in Article 4 of the Plan and on the Plan Implementation Date, Claims will be settled in accordance with the terms hereof.

Creditor Approval of this Plan shall be deemed to occur if each Class of Creditors (being Purchasers and Ordinary Creditors) approves this Plan in accordance with the CCAA at duly constituted Meetings of such Creditors, in which case this Plan and its terms shall bind all Creditors.

4.2 The Monitored Trust Account

The Monitored Trust Account shall be a segregated bank account or bank accounts in a Canadian chartered bank, established by the Applicant and, subject to the terms of this Plan, shall be held in trust for the Purchasers and the Ordinary Creditors, pursuant to a Declaration of Trust to be executed by the Applicant. As trustee for the Monitored Trust Account, the Applicant will enter into an agreement (the "Monitored Account Agreement") with the Monitor which will provide for the mechanics of operation of the Monitored Trust Account and the terms of oversight of the Monitored Trust Account to be provided by the Monitor.

The Monitored Trust Account may be held in Canadian or U.S. dollars, or in such other currencies as the Monitor may deem appropriate.

All Policies, Insurance Proceeds, Litigation Recovery, Cash on Hand, Tax Refunds, and remaining TPI Proceeds in possession of or received by the Applicant or Mills on or after Plan Implementation shall be held in trust by the Applicant, or Mills, as the case may be, pursuant to Declarations of Trust to be executed by the Applicant and Mills in favour of the Purchasers and the Ordinary Creditors. All Insurance Proceeds, Litigation Recovery, Cash on Hand, and remaining TPI Proceeds shall be paid forthwith after Plan Implementation by the Applicant, or Mills, as the case may be, for deposit into the Monitored Trust Account.

The funds may be disbursed out of the Monitored Trust Account in accordance with the Monitored Account Agreement and this Plan, to pay the following (collectively, the "**Costs**"):

1. Premiums;
2. Professional Costs;
3. Administrative Fees and Mills' fees;
4. Borrowing Costs ;
5. the Litigation Contribution; and
6. Unaffected Claims;

In addition, any bank charges related to the Monitored Trust Account may be deducted by the bank from the account.

Payment of such amounts are subject to:

- confirming that the Costs are due and are a permitted disbursement pursuant to the Plan;
- there being sufficient funds in the Monitored Trust Account to make such payments;
- the Monitor's review of the Costs for reasonableness;
- the Court's approval of fees and disbursements, where applicable; and
- the Monitor's ability to apply for direction from the Court, if necessary, prior to paying any Cost.

Payments out of the Monitored Trust Account on account of any Canadian taxes or withholdings as required by law shall also be permitted.

There shall be no obligation to pay Costs pro rata, in the event that sufficient funds are not available from time to time to pay all Cost, and the timing of the payment of all Costs shall be at the discretion of the Monitor, or as the Court may direct. The Monitor shall not incur any liability for the payment or non-payment of any Costs, or the timing or manner of such payments.

Subject to the Reserve for Costs described at Section 4.3 below, and the payment of Costs, funds may be made available to the Purchaser Pool, the ROI Pool and the Ordinary Creditor Pool in accordance with this Plan, to allow for the payment of Distributions from those Pools to Creditors. No payments shall be made directly to Creditors out of the Monitored Trust Account and Creditors shall not be entitled to assert any direct claim to the funds in the Monitored Trust Account, without Order of the Court.

4.3 Reserve for Costs

A reserve (the "**Reserve for Costs**") shall be established in the Monitored Trust Account in order to fund the Costs. As of Plan Implementation Date, the opening balance of the Reserve for Costs shall be the amount of the Cash on Hand. Thereafter, the Reserve For Costs shall be maintained in an amount sufficient, in the Monitor's sole discretion, to pay the anticipated Costs for the following two years. In determining the Reserve for Costs, the Monitor shall be entitled to rely on the information provided by the Applicant, Mills and the insurance companies, relating to projected Premium liabilities, Borrowing Costs, Professional Costs, Litigation Costs, the amount of any Unaffected Claims, and any other amounts or issues affecting the amount of Reserve for Costs.

Upon the maturity of all Policies and receipt of all Insurance Proceeds, or upon the completion of the Sale Process and the closing of all transactions for the sale of all remaining Policies, the remaining balance of the Reserve For Costs shall be available to pay any remaining Costs and to make transfers to the Pools for the payment of Distributions to Creditors.

4.4 Power to Borrow

The Applicant, with the Monitor's prior written consent, shall be entitled to borrow money against the Policies, and to grant security interests in the Policies to secure such loans, where such borrowings are necessary in the Monitor's opinion to provide funds for the payment of Premiums, the Professional Costs, the Administrative Fee and/or Mills' fees. Any such funds borrowed shall be deposited directly into the Monitored Trust Account to be used to pay the Premiums, Professional Costs, the Administration Fee, and Mills' fees. Other than borrowings for these purposes, the Applicant shall not borrow money against the Policies nor grant security interests in the Policies to secure any indebtedness or other obligations.

4.5 Litigation Contribution and Litigation Recovery

The Applicant shall have the power to continue the Actions, and the Litigation Contribution (including any portion of the Escrow Fund deposited into the Monitored Trust Account in accordance with Section 2.5 of this Plan) shall be made available to the Applicant and its counsel for the payment of the Applicant's legal fees and disbursements with respect to the Actions. As noted in the definition of "Litigation Contribution", U.S. $500,000 of the Litigation Contribution shall be made available from the Monitored Trust Account. In this Section 4.5, this is referred to as the "Litigation Contribution sourced from cash". In addition, any portion of the Escrow Fund paid into the Monitored Trust Account shall also be available as part of the Litigation Contribution. In this Section 4.5, this is referred to as the "Litigation Contribution sourced from the Escrow Fund".

No amount in excess of the Litigation Contribution shall be paid out of the Monitored Trust Account toward payment of the Applicant's legal fees and disbursements with respect to the Actions.

To the extent that the Litigation Contribution sourced from the Escrow Fund is not needed to pay the Applicant's legal fees and disbursements with respect to the Actions, the Escrow Fund shall be distributed from the Monitored Trust Account in accordance with Section 2.5 of this Plan.

The amount of the Litigation Contribution actually used to pay the Applicant's legal fees and disbursements related to the Actions shall be considered a deduction from the monies otherwise transferable from the Monitored Trust Account to the Ordinary Creditor Pool. The Litigation Contribution may be paid out of the Monitored Trust Account at any time, and from time to time, provided that sufficient funds are available in the Monitored Trust Account, and regardless of whether the funds at that time available for transfer to the Ordinary Creditor Pool are greater than or less than the amount of the Litigation Contribution sought by the Applicant at that time. However, no transfer from the Monitored Trust Account to the Ordinary Creditor Pool shall take place until the funds available for transfer to the Ordinary Creditor Pool in accordance with Section 4.8 of this Plan exceed the Litigation Contribution previously paid out of the Monitored Trust Account and then outstanding.

All Litigation Recovery will be deposited into the Monitored Trust Account, and shall be applied as follows (in each case without interest or deduction):

(a) first, to reimburse the Monitored Trust Account for the full amount of any Litigation Contribution sourced from cash and previously paid out to fund the Applicant's legal fees and disbursements with respect to the Actions;

(b) next, to pay to Borden Ladner Gervais LLP the amount of its Claim secured by a solicitor's lien, to the maximum amount of $840,000, in accordance with a settlement agreement approved by the Court on June 12, 2009;

(c) next, on a *pari passu* basis, to (i) reimburse the Monitored Trust Account for fifty percent (50%) of any Litigation Contribution sourced from the Escrow Fund and previously paid out to fund the Applicant's legal fees and disbursements with respect to the Actions, and (ii) pay to the Shareholders an equal amount;

(d) if payment of any portion of the Litigation Contribution previously resulted in a lower amount being transferred from the Monitored Trust Account to the Ordinary Creditor Pool, then the reimbursements in paragraphs (a) and (c)(i) of this Section 4.5, together with such additional funds as are available in the Monitored Trust Account from the Litigation Recovery, shall be paid into the Ordinary Creditor Pool to restore it to the position that it would have been in, had the Litigation Contribution not been paid out;

(e) next, an additional amount of the Litigation Recovery, equal to the total amount of the Litigation Contribution paid out to fund the Applicant's legal fees and disbursements, shall be transferred from the Monitored Trust Account into the Ordinary Creditor Pool, without regard to the formulae set out in Sections 4.6 and 4.8 of this Plan; and

(f) any remaining Litigation Recovery shall remain in the Monitored Trust Account for disbursement in accordance with this Plan.

The Applicant has agreed to establish a committee of three Creditors to consult with the Applicant with respect to the conduct of the Actions and the fees and disbursements incurred in prosecuting the Actions.

4.6 Purchaser Pool

The Applicant shall establish a segregated bank account into which funds from the Monitored Trust Account, for payment of Distributions to Purchasers, will be deposited and held in trust by the Applicant, pursuant to a Declaration of Trust to be executed by the Applicant. The payment of all amounts to be paid out of the Purchaser Pool will be subject to the provisions of the Monitored Account Agreement.

Upon declaring a Distribution, the Purchaser Pool shall be funded out of the proceeds held in the Monitored Trust Account based upon the following formula (all amounts in the following formula are in U.S. dollars):

> (Purchaser Policies' face values and Premium Reserves at Plan Implementation Date) / (Purchaser Policies' and Corporate Policies' face values[1] and Premium Reserves at Plan Implementation Date) = Purchaser Pool allocation
>
> = (\$185,040,918 + \$2,709,072) / (\$185,040,918 + \$7,473,456 + \$2,744,944)
>
> = 96.15%

The Purchaser Pool shall be funded based upon the above formula until such time as (i) the Purchaser Pool is in an amount sufficient to pay Distributions to Purchasers equal to one hundred percent (100%) of their Original Investments, or (ii) there are no funds available in the Monitored Trust Account for such purpose.

4.7 ROI Pool

The Applicant shall establish a segregated bank account for purposes of establishing the ROI Pool, which shall be held in trust by the Applicant pursuant to a Declaration of Trust to be executed by the Applicant for purposes of paying Distributions to Purchasers. The payment of

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[1] Excluding the Applicant's interest in policies in the USII Trust, which the Applicant believes have negligible value.

all amounts to be paid out of the ROI Pool will be subject to the provisions of the Monitored Account Agreement.

Upon the payment into the Purchaser Pool of sufficient funds to pay to Purchasers amounts equal to one hundred percent (100%) of their Original Investments, funds shall be transferred to the ROI Pool from the Monitored Trust Account based upon the same formula used by the Monitor for transfers to the Purchaser Pool, as described in Section 4.6 above (that is, 96.15%).

4.8 Ordinary Creditor Pool

The Applicant shall establish a segregated bank account into which funds from the Monitored Trust Account, for payment of Distributions to Ordinary Creditors, will be deposited and held in trust by the Applicant, pursuant to a Declaration of Trust to be executed by the Applicant. The payment of all amounts to be paid out of the Ordinary Creditor Pool will be subject to the provisions of the Monitored Account Agreement.

Upon declaring a Distribution, the Monitor shall fund the Ordinary Creditor Pool out of the proceeds held in the Monitored Trust Account based upon the following formula (all amounts in the following formula are in U.S. dollars):

> (Corporate Policies' face values[2] + Premium Reserves at Plan Implementation Date) / (Purchaser Policies' and Corporate Policies' face values[3] + all Premium Reserves at Plan Implementation Date) = Ordinary Creditor Pool allocation
>
> = ($7,473,456 + $35,872) / ($185,040,918 + $7,473,456 + $2,744,944)
>
> = 3.85%

The Ordinary Creditor Pool shall be funded based upon the above formula until such time as (i) the Ordinary Creditor Pool is in an amount sufficient to pay Distributions to Ordinary Creditors equal to one hundred percent (100%) of their Proven Claims, or (ii) there are no funds available in the Monitored Trust Account for such purpose.

4.9 Sale Process

The Applicant may request that the Monitor commence a Sale Process with respect to some or all Policies that have not matured under the following circumstances:

(a) After sufficient funds are available in the Purchaser Pool to pay to Purchasers Distributions equal to one hundred percent (100%) of their Original Investments; or

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[2] See footnote 1, above.

[3] See footnote 1, above.

(b) Prior to there being sufficient funds in the Purchaser Pool to pay to Purchasers Distributions equal to one hundred percent (100%) of their Original Investments if the proceeds from the Sale Process would be sufficient to pay to Purchasers Distributions equal to one hundred percent (100%) of their Original Investments.

Such a Sale Process shall be commenced only if market conditions are such that the financial recovery from the sale of the Policies is determined by the Applicant, in consultation with the Monitor, to be more advantageous to Purchasers and Ordinary Creditors than the continued payment of the Costs and the continued collection of death benefits in respect of the Policies under the terms of this Plan. Such Sale Process shall not be held without further Order.

The net proceeds from the sale of any Policies shall be deposited into the Monitored Trust Account and distributed in accordance with this Plan.

4.10 <u>Disbursements from Pools</u>

Funds shall be transferred to the Purchaser Pool (or the ROI Pool, as the case may be) and to the Ordinary Creditor Pool from the Monitored Trust Account as frequently as the Monitor deems prudent, or as directed by the Court, taking into account the amount contained in the Monitored Trust Account from time to time, the required amount of Reserve for Costs, timing, any disputed issues outstanding, and any other issues that may then exist, subject to the Reserve for Costs remaining in the Monitored Trust Account at all times and subject to all applicable tax payment or withholding obligations, and provided that a decision by the Monitor or the Court as to the frequency of Distributions is final and binding for all purposes. Distributions shall be paid from the Pools, in accordance with this Plan. The payment of the first Distribution, subject to the above conditions, will be made as soon as practicable after June 1, 2010.

Distributions will be paid from the Pools as follows:

(a) *Purchaser Pool*: Distributions from the Purchaser Pool shall be paid to Purchasers *pro rata* calculated on the basis of the amount of Purchasers' Original Investment, and without regard to (i) the date of that Original Investment, or (ii) any Claim based on interest or other return on the Original Investments of Purchasers. If at any time there are more monies in the Purchaser Pool than are necessary to pay to Purchasers one hundred percent (100%) of the Original Investments made by Purchasers, then the excess monies shall be transferred from the Purchaser Pool to the ROI Pool. Other than Distributions to Purchasers and the transfer of excess monies from the Purchaser Pool to the ROI Pool, no payments shall be made out of the Purchaser Pool.

(b) *ROI Pool*: Distributions from the ROI Pool shall be paid to Purchasers based on the methodology set out in Schedule B to this Plan, which includes the payment of the Success Fee to the Applicant. Payment of the Success Fee is aligned with the interests of the Purchasers since it shall only be paid to the Applicant after Distributions totalling 110% of Purchasers' Original Investments have been distributed to Purchasers. The Success Fee is calculated as follows:

U.S. $1 million Success Fee paid when 110% of Original Investments is paid to Purchasers; and

After payment of U.S. $1 million Success Fee, proceeds shared 75% / 25% (Purchasers / Applicant) for that portion of the ROI Pool in excess of 110% of Original Investments paid to Purchasers.

(c) *Ordinary Creditor Pool*: Distributions from the Ordinary Creditor Pool shall first be used to pay to Ordinary Creditors on a *pro rata* basis 100% of the lesser of $250,000 or the total of each Proven Claim, and thereafter *pro rata* based on the remaining unpaid balance of each Proven Claim, at the same times as from the Purchaser Pool (or the ROI Pool, as the case may be). If the funds available in the Ordinary Creditor Pool exceed the aggregate amount of all Claims of Ordinary Creditors as of the Valuation Date, the Applicant shall transfer any remaining funds in the Ordinary Creditor Pool to the ROI Pool.

Notwithstanding the foregoing restrictions on disbursements from the Pools, disbursements may also be made on account of any clearance certificates or other legal or regulatory pre-conditions to payment of Distributions.

In making Distributions, the Applicant and the Monitor shall take into account the most cost-effective means of doing this, from both the Applicant's / Monitor's perspective, and also from the recipient's perspective.

4.11 Right to Vote and Receive Distributions

Only Creditors with a Proven Claim shall be entitled to vote or receive any Distribution under the Plan or in respect of a Claim, unless otherwise ordered by the Court. Notwithstanding the foregoing, if any Claims have not been finally determined pursuant to the Claims Procedure Order by the date of the Meeting, then a vote with respect to these unresolved Claims shall be recorded by the Monitor in accordance with Section 28 of the Claims Procedure Order. Purchasers shall not be entitled to recovery of any Claims out of any funds other than the Purchaser Pool and ROI Pool, and Ordinary Creditors shall not be entitled to recovery of any Claims out of any funds other than the Ordinary Creditor Pool.

4.12 Crown Priority Claims

Within six months after the date of the Sanction Order, the Applicant will pay in full all Claims pursuant to Section 18.2(1) of the CCAA.

4.13 Effect of Plan Generally

Save and except as otherwise provided herein, on the Plan Implementation Date the treatment of Claims under this Plan shall be final and binding on the Applicant and all Creditors (and their respective heirs, executors, administrators, legal or personal representatives, successors and assigns), and the Plan shall constitute (i) full, final and absolute settlement of all rights of the holders of all Claims; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Applicant, any Director, and any Agent in respect of any Claim.

From and after the Plan Implementation Date, no Creditor shall have any right to assert any claim against the Applicant, the Directors, the Monitor, or any Agent based, without limitation, on an assertion of a beneficial interest, ownership interest, trust interest, or any other proprietary interest against the Applicant or in any of its assets (including the Policies, the Premium Reserves and any Death Benefit Maturity Funds).

Further, on the Plan Implementation Date, all Creditors release and shall be deemed to release the Applicant, the Directors, the Monitor, and all Agents, of and from all obligations, liabilities, claims and causes of action, as set out more fully in Section 7.4 of this Plan.

4.14 <u>Events of Default</u>

If in the Monitor's opinion, acting reasonably, the Applicant has defaulted in the performance of this Plan, the Monitor shall promptly provide written notice to the Applicant of such default. If within thirty (30) days of written notice of default the Applicant has not remedied the default identified by the Monitor, and if the Monitor has not withdrawn its written notice of default, then the Monitor shall apply to the Court for such directions or Orders as it deems appropriate in the circumstances. As provided in Section 7.8 of this Plan, the Applicant and the Monitor may also, at any time, seek directions from the Court. If the urgency of the default is such that the Monitor, acting reasonably, cannot give the notice required herein, then the Monitor may apply to the Court for directions, on such notice as the Court may direct.

ARTICLE 5
MONITOR'S ROLE AND OTHER MATTERS

5.1 <u>Monitor's Role</u>

In addition to any role that it may have under any Order, the Monitor shall supervise this Plan and monitor the Applicant's compliance with this Plan. The Monitor shall have access to the Applicant's books and records for the purposes of such supervision and monitoring, but shall not assume management or control of the Applicant or its business. The Applicant shall at the Monitor's request compile and make commercially reasonable efforts to obtain information relating to verifications of coverage of Policies, annual reports from insurance companies, tracking reports of maturities, Premium illustrations, correspondence with insurance companies, Unaffected Claims, due diligence of Policy portfolio for purposes of the Sale Process, and previously transferred Policies, and shall provide all such information to the Monitor at the Monitor's request. The Monitor may report to the Court and/or Creditors and seek directions from the Court from time to time as to the status of the Plan, the Monitored Trust Account, the Reserve for Costs, Borrowings, or any other matter.

5.2 Protections relating to the Monitor

Ernst & Young Inc. is acting as Monitor in the CCAA Proceedings with respect to the Applicant and not in its personal or corporate capacity and will not be responsible or liable for any obligations of the Applicant. The Monitor shall be entitled to rely on information provided by the Applicant, subject only to the Monitor's review of such information for reasonableness. Ernst & Young Inc. in its capacity as Monitor will have the powers and protections granted to it by this Plan, the CCAA, the Initial Order, the Meeting Order, the Sanction Order and any other Order. When in the Monitor's view (i) all or substantially all of the obligations under the Plan have been performed, or (ii) a material adverse change with respect to the Plan has occurred, it may apply to the Court for directions with respect to the performance of any remaining obligations under the Plan or any other matter, and may seek its discharge as Monitor.

5.3 Role of Mills

As the United States of America service agent for the Policies on behalf of the Applicant, Mills will continue to service 138 of the 155 open Policies for the Applicant. Mills will execute a declaration of trust pursuant to the terms of the Plan. Pursuant to direction from the Applicant, Mills will perform limited policy administration services, including the payment of Premiums and Premium Reserves and the collection of death benefits. Further, Mills will correspond with insurance companies as required and directed by the Applicant, and assist the Applicant in managing any issues which arise with respect to Policies. For its services, Mills will charge a transaction based fee. Mills fee will not be paid from the Administrative Fee set out in Schedule A to this Plan.

5.4 Risks related to the Plan

The implementation and funding of the Plan is subject to a number of risks, which include without limitation:

(a) it may take significantly longer than anticipated for Policies to mature, resulting in additional costs incurred by the Monitored Trust Account to pay the Premiums and Costs necessary to maintain the Policies;

(b) if funds are not available (in the Reserve for Costs, or by way of Borrowings) to pay Premiums at any time, Policies may lapse;

(c) if there is a dispute with the insurance company issuing any of the Policies, payment of Insurance Proceeds with respect to such Policies may be delayed or may not be received;

(d) if the insured Person under any Policy cannot be located by the Applicant, or if a death certificate for that Person cannot be obtained on maturity of the Policy, the death benefit payable under the Policy may be delayed or may not be received;

(e) certain Policies do not record the Applicant as the owner of such Policies, and such Policies could in some circumstances be revoked by the Person recorded as the owner of such Policies;

(f) certain Policies are term life insurance policies, and may not be convertible to whole life policies, or may be subject to renewal at higher premiums;

(g) the insolvency of any life insurance company would jeopardize the Policies insured by that insurer;

(h) the Applicant's ability to retain its operations and perform the services outlined in Schedule A may in the future be adversely affected by changes in its business environment, by staff departures, or by other factors affecting its business, including without limitation any claims against it in the Actions.

5.5 Unpaid or Unclaimed Distributions

It is the Creditor's responsibility to ensure that the Creditor's current address is provided to the Applicant and the Monitor, and to advise the Applicant and the Monitor in writing if that address changes.

If the Monitor does not have the correct address for any Creditor entitled to a Distribution pursuant to this Plan, then such Distribution to that Creditor shall not be paid, and the amount of such Distribution shall remain in the applicable Pool. If such Creditor later provides a current address, the Distribution shall then be paid to the Creditor, without interest. Nothing contained in this Plan shall require the Applicant or the Monitor to locate such Creditor.

If prior to the time of the final payment of Distributions to Creditors from any Pool (i) any prior Distribution has not been paid to a Creditor, (ii) any cheque with respect to a prior Distribution has not been cashed, or (iii) the Monitor does not have any Creditor's then-current address for payment of any Distribution, then the Monitor shall deal with such Distributions ("**Undistributed Distributions**") in the manner then required by the CCAA, or as the Court may direct.

5.6 Effect of Sanction Order

The Applicant will seek a Sanction Order that will, in addition to sanctioning the Plan, and without limitation to any other terms that it may contain:

(a) declare that the compromises effected hereby are approved, binding and effective as herein set out upon all Creditors;

(b) approve all steps and transactions contemplated by the Plan, including, without limitation, those taken in connection with the completion of the restructuring;

(c) stay any and all steps or proceedings commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any or all Directors or Agents in respect of any Claim compromised or released hereby; and

(d) be in form and substance satisfactory to the Applicant and to the Monitor, acting reasonably.

ARTICLE 6
CONDITIONS PRECEDENT

6.1 Application for Sanction Order

The Applicant will apply to the Court for the Sanction Order within 10 days following the date upon which Creditor Approval is obtained. On the Plan Implementation Date, subject to the satisfaction or waiver of the conditions contained in section 6.2, the Plan shall be implemented by the Applicant and shall be binding upon all Creditors and all other Persons affected by the provisions of this Plan.

6.2 Conditions Precedent to the Implementation of the Plan

The implementation of this Plan will be conditional on the satisfaction of the following conditions:

(a) *Creditor Approval* - The Plan has been approved pursuant to the CCAA by each Class of Creditors;

(b) *Approval* - The Applicant shall have taken all corporate actions and proceedings which, in their reasonable opinion, are necessary to approve this Plan, and to enable them to execute, deliver and perform their obligations under this Plan;

(c) *Sanction Order* - The Sanction Order has been issued by the Court on or before June 22, 2009, or such later date as the Applicant and the Monitor deems reasonable, and any other order deemed necessary or desirable by the Applicant or the Monitor has been obtained;

(d) *Payment of Unaffected Claims* - all of the Unaffected Claims accrued to the Plan Implementation Date shall have been paid, or provision for payment of the Unaffected Claims shall have been made (in the opinion of both the Applicant and the Monitor, each acting reasonably);

(e) *Declaration of Trust* – the Applicant shall have delivered to the Monitor a declaration of trust, wherein the Applicant declares that effective on the Plan Implementation Date the Applicant holds all Policies and all funds deposited into the Monitored Trust Account in trust for the beneficiaries of this Plan, and that the Policies and Insurance Proceeds and all other funds held in the Monitored Trust Account shall be dealt with only in the manner provided for in this Plan;

(f) *Deliveries of Instruments* – The Applicant shall have executed and delivered all such other agreements, indentures, documents and other instruments which, in its opinion, and the Monitor's opinion, acting reasonably, are necessary to be executed and delivered by the Applicant in order to implement the Plan and perform its obligations hereunder;

(g) *Directions and declarations of trust, generally* – all directions and declarations of trust to be delivered pursuant to this Plan shall have been delivered in a form satisfactory to the Applicant and the Monitor, each acting reasonably; and

(h) *Deliveries of Documents* - all relevant Persons have executed, delivered and filed all documents and other instruments that, in the opinion of the Applicant and the Monitor, acting reasonably, are necessary to implement the provisions of the Plan or the Sanction Order.

ARTICLE 7
GENERAL

7.1 Binding Effect

At the Effective Time on the Plan Implementation Date, the Plan will become effective and be binding on and enure to the benefit of the Applicant, the Creditors and all other Persons named or referred to in, or subject to, this Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

7.2 Amendments

(a) The Applicant reserves the right, at any time and from time to time, to amend modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to any meeting of Creditors called for the purpose of considering and voting in respect of the Plan pursuant to the CCAA, communicated to the Creditors in the manner deemed appropriate by the Monitor; and (ii) if made following such meeting, approved by the Court following notice to the Creditors affected thereby.

(b) Any amendment, modification or supplement may be made by the Applicant following the Sanction Order, with the consent of the Monitor, provided that it concerns a matter which, in the opinion of the Applicant, acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and to the Sanction Order and is not adverse to the financial or economic interests of the Creditors.

(c) Any supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this Section, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporate into this Plan.

7.3 Termination

At any time prior to the Plan Implementation Date, the Applicant may determine not to proceed with this Plan, notwithstanding any prior approvals given at any Meeting or the obtaining of the Sanction Order.

7.4 Releases

Other than in respect of Unaffected Claims and obligations under the Plan, as at the Effective Time, each Creditor will be deemed to forever release, waive and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (including any claim of a beneficial interest, ownership interest, trust interest, or any other proprietary interest against the Applicant or in any of its assets, including the Policies and the Premium Reserves), in each case whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Valuation Date in any way relating to the Applicant, the CCAA Proceedings or this Plan against: (i) the Applicant; (ii) the Directors and those Persons who were employees of the Applicant as of the Valuation Date or thereafter; (iii) Persons who may claim contribution or indemnification against or from the Applicant; (iv) Agents, (v) the Monitor, and (vi) the legal counsel and other professional advisors to the Applicant or the Monitor, provided that nothing herein will release or discharge (A) directors or officers of the Applicant in respect of any claim referred to in paragraph 5.1(2) of the CCAA, or (B) any claims made in the Actions against the Applicant.

7.5 Consents, Waivers and Agreements

At the Effective Time, each Creditor shall be deemed to have consented and agreed to all of the provisions of this Plan, as an entirety. Without limitation to the foregoing, each Creditor will be deemed:

(a) to have executed and delivered to the Applicant all consents, assignments, releases and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;

(b) to have waived any default by or rescinded any demand for payment against the Applicant that has occurred on or prior to the Plan Implementation Date pursuant to, based on or as a result of any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and such Applicant with respect to a Claim; and

(c) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Applicant with respect to a Claim as at the Plan Implementation Date and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

7.6 Severability of Plan Provisions

If, prior to the Effective Time, any provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Monitor may alter such provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of such provision, and such provision will then be applicable as altered and the remainder of the provisions of this Plan will remain in full force and effect and will in no way be invalidated by such alteration.

7.7 Governing Law

This Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

The Applicant agrees to execute and deliver, on or after the Effective Time, all such agreements, instruments and documents and to take all further actions as may be reasonably necessary from time to time to carry out the intent and purposes of this Plan.

7.8 Directions

The Applicant or the Monitor may at any time, and with such notice as the Court may require, seek directions from the Court with respect to this Plan and the provisions hereof, including the Schedules.

7.9 Notices

Any notice or other communication to be delivered or filed hereunder must be in writing and reference this Plan and may, subject as hereinafter provided, be made or given by personal delivery, courier, registered mail, electronic mail or by facsimile addressed to the respective parties as follows:

(a) if to the Monitor:

Ernst & Young Inc.
Court-appointed Monitor of Universal Settlements International Inc.
222 Bay Street, Suite 1600
Toronto, Ontario M5K 1J7
Canada

Attention: Brian Denega
Fax No.: (416) 943-3300
Email: universal.settlements@ca.ey.com

(b) if to a Creditor:

to the last known address (including facsimile number) for such Creditor, or to such address specified in an Acknowledgement of Claim or Request for Amendment (each as defined in the Claims Procedure Order) or a Proof of Claim relating to such Creditor, or as such Creditor has otherwise specified in writing to the Monitor.

(c) if to the Applicant:

Universal Settlements International Inc.
5500 North Service Road
Burlington, Ontario
Canada L7L 6W6

Attention: Jeff Panos, President
Fax No.: (905) 331-6011
Email: jpanos@universalsettlements.com

with a copy to:

Rueter Scargall Bennett LLP
Brookfield Place
161 Bay Street, Ste 4220
Box 226
Toronto, Ontario M5J 2S1 Canada

Attention: Randy Bennett
Fax No.: (416) 869-3411
Email: randy.bennett@rslawyers.com

with a copy to:

Ogilvy Renault LLP / S.E.N.C.R.L., s.r.l.
Suite 3800, P.O. Box 84
Royal Bank Plaza, South Tower
200 Bay Street
Toronto, Ontario M5J 2Z4 Canada

Attention: William McNamara
Fax No.: (416) 216-3930
Email: wmcnamara@ogilvyrenault.com

or to such other address as any party may from time to time notify the others in accordance with this Section. All such communications that are delivered will be deemed to have been received on the day of delivery. All such communications that are sent by facsimile or electronic mail will be deemed to be received on the day sent if sent before 5:00 p.m. on a Business Day and otherwise will be deemed to be received on the Business Day next following the day upon which such facsimile or electronic mail was sent. Any notice or other communication sent by registered mail will be deemed to have been received on the third day after the date of mailing.

SCHEDULE A
(administrative services to be provided)

In consideration of the payment of the Administrative Fee of CDN $100,000 per month, the Applicant (with the assistance of Mills) shall provide the following services relating to the administration of the Policies and to the discharge by the Applicant of its duties under the Plan:

The Applicant will continue to do the following:

1. **Premium management and funding**

   - Premium payments.
   - monthly Premium reports.
   - Premium payment optimization. Modifying the Premiums needed on a regular basis so as to minimize the Premiums needed to maintain Policies in good standing as new data is received.

2. **Performing cash-value analyses and borrowing against or from Policies, where permitted by the Plan and for the purposes specified therein**

3. **Active management of cash surrender values on Policies**

4. **Insured tracking**

   - Monitoring the status of each insured person within the portfolio.
   - Maintain direct personal contact with each insured person quarterly.

5. **Group policy and Premium waiver management**

6. **Processing death claims as policy maturities occur, utilizing where possible the Applicant's relationships with insurers to facilitate the processing and collection of death benefits**

7. **Investor communications and information updates**

   - Collection of verifications of coverage annually and other information and documents from insurance companies as required.
   - Collection of updated medical information and life expectancy reports as requested by the Monitor.
   - Maintain, update and enhance Policy databases and related spreadsheets.
   - Database updates and administrative processing of investor requests such as collateral assignments, beneficiary changes etc.
   - Continuing to liaise with all Purchasers to ensure that everybody understands processes.
   -

8. **Maintaining web access for investors to view documents online.**

   - Maintain Purchaser communication tools like website and corporate updates.

9. **Provide written reports to Purchasers as requested.**

10. Customer support for Purchasers' telephone, fax or email inquiries, on Business Days during normal business hours.

11. Daily cash-flow reconciliations and reports.

12. Regular reporting to Monitor and Purchasers as mandated by the Court.

13. Ensuring regulatory compliance with respect to the Policies.

In the event that the Applicant defaults in the performance of these services for any reason, the Monitor shall be entitled to take the steps outlined in Section 4.14 of the Plan or, if the urgency of the default is such that the Monitor, acting reasonably, cannot give the notice required by Section 4.14 of the Plan, then the Monitor may apply to the Court for directions, on such notice as the Court may direct.

SCHEDULE B
(Methodology for payment of Distributions from the ROI Pool)

The monies in the ROI Pool shall be paid by the Monitor in the following order and in accordance with the following terms:

FIRSTLY, if monies are available in the ROI Pool after the payment of one hundred percent (100%) of Purchasers' Original Investments, then the Monitor shall pay Distributions to each Purchaser based on each Purchaser's proportionate entitlement, calculated in accordance with the following formula:

2009 minus the year in which the Original Investment was made by the Purchaser;

add one (1);

multiply by the amount of the Original Investment made by the Purchaser;

the product will then represent each Purchaser's proportionate entitlement to Distributions from the monies available in the ROI Pool.

FOR EXAMPLE:

Purchaser A invested $100,000 in 2001, and Purchaser B invested $100,000 in 2005. Their respective proportionate entitlements would be:

Purchaser A – 2009 minus 2001 equals 8, plus 1 equals 9, multiplied by $100,000 equals 900,000 'units' for the purposes of calculating sharing of the monies available in the ROI Pool

Purchaser B – 2009 minus 2005 equals 4, plus 1 equals 5, multiplied by $100,000 equals 500,000 'units' for the purposes of calculating sharing of the monies available in the ROI Pool

Such Distributions shall continue until Purchasers in aggregate are paid one hundred and ten percent (110%) of their Original Investments.

SECONDLY, the Monitor shall pay the next U.S. $1,000,000 to the Applicant as a success fee.

THIRDLY, any monies remaining in the ROI Pool shall be distributed (i) seventy-five percent (75%) to the Purchasers, in accordance with the above formula, and (ii) twenty-five percent (25%) to the Applicant.

Appendix "B"

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
Monitored Trust Account Cash Flow
From July 21, 2009 to May. 31, 2012

(approximately thirty four months)

($ Canadian)	($ Cdn)
Opening cash balance:	
Transfers from Premium Reserve account	2,952,296
Transfers from Maturities Account	7,007,999
Total Opening Cash Balance	**9,960,295**
Receipts	
Policy Maturities	14,425,229
Other/Loans	4,652,810
Total Receipts	**19,078,038**
Disbursements	
Policy Portfolio Expenses:	
Premium Payments	20,805,866
Administrative Fees	3,495,950
Mills, Potozcak Fees	143,279
Portfolio Administrative Charges - Other	116,736
Total Policy Portfolio Expenses	**24,561,831**
Restructuring Expenses	
Unaffected Claims	782,378
Monitor's fees and disbursements	918,678
Legal fees and disbursements:	
Ogilvy Renault LLP	80,684
Rueter Scargall Bennett LLP	98,197
Blake, Cassels and Graydon LLP	124,090
Total Restructuring Expenses	**2,004,027**
Other Expenses:	
Litigation Contribution	518,071
Bank Charges	1,449
Total Other Expenses	**519,520**
Total Disbursements	**27,085,377**
Total disbursements	27,085,377
Receipts over Disbursements	**(8,007,339)**
Foreign exchange gain/(loss)	(142,292)
Ending cash balance, May 31, 2012	**1,810,664**

Notes:

All cash balances are recorded by USI on a book basis.

A foreign exchange rate of USD/CAD 0.95 was assumed.

The foreign exchange gain/loss is the difference between transfers throughout the Reporting Period at the actual floating rate and the exchange rate assumed in the cash flow.

APPENDIX "C"
PREPARED BY USI

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
Comparison of Cash Flow in the Monitored Trust Account to the Financial Model
From July 21, 2009 to May 31, 2012

(approximately tirty four months)

($ Canadian)

	Actual	Forecast	Variance
Opening cash balance:			
Transfers from Premium Reserve account	2,952,296	2,952,296	0
Transfers from Maturities Account	7,007,999	7,007,999	0
Total Opening Cash Balance	**9,960,295**	**9,960,295**	**0**
Receipts			
Policy Maturities	14,425,229	91,779,019	(77,353,790)
Other	4,652,810	2,129,939	2,522,871
Total Receipts	**19,078,039**	**93,908,958**	**(74,830,919)**
Disbursements			
Policy Portfolio Expenses:			
Premium Payments	20,805,866	19,041,457	1,764,409
Administrative Fees	3,495,950	3,528,552	(32,602)
Mills, Potozcak Fees	143,279	175,304	(32,025)
Total Policy Portfolio Expenses	**24,445,095**	**22,745,313**	**1,699,782**
Restructuring Expenses			
Unaffected Claims	899,114	783,406	115,708
Monitor's fees and disbursements	918,678	843,334	75,344
Legal fees and disbursements:			
Norton Rose Canada LLP (formerly Ogilvy Renault LLP)	80,684	234,238	(153,554)
Rueter Scargall Bennett LLP	98,197	156,015	(57,818)
Blake, Cassels and Graydon LLP	124,090	150,903	(26,813)
Total Restructuring Expenses	**2,120,763**	**2,167,896**	**(47,133)**
Other Expenses:			
Litigation Contribution	518,071	526,316	(8,245)
Bank Charges	1,449	4,283	(2,834)
Total Other Expenses	**519,520**	**530,599**	**(11,079)**
Total Disbursements	**27,085,378**	**25,443,808**	**1,641,570**
Receipts less Disbursements	**(8,007,339)**	**68,465,150**	**(76,472,489)**
Foreign exchange gain/(loss)	(142,292)	0	(142,292)
Ending cash balance, April 30, 2012	**1,810,664**	**78,425,445**	**(76,614,781)**

Notes:
All cash balances are recorded by USI on a book basis.

A foreign exchange rate of USD/CAD 0.95 was assumed.

The foreign exchange gain/loss is the difference between transfers throughout the Reporting Period at the actual floating rate and the exchange rate assumed in the cash flow.

Appendix "D"

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

Listing of Outstanding Policy Loans

Amounts in USD

Policy ID	Insurance Company	2009 Loan Received	2011 Loan Received	Current Interest/ Principal Repaid	Outstanding Loan Total
I.A. (#342), (#574), (#653)	Texas Life Insurance Company	$216,106.55		$31,722.92	$247,829.47
C.A. (#293)	Allianz		$5,371.52	$0.00	$5,371.52
H.B. (#391)	Transamerica Life Insurance Company		$154,123.99	-$10,291.40	$143,832.59
J.B. (#209)	Western-Southern Life		$13,772.02	-$6,030.72	$7,741.30
S.B. (#289)	Union Central	$21,126.81		$2,136.72	$23,263.53
E.B. (#404), (#462), (#620)	American General Life Insurance Company		$13,313.96	-$13,313.96	$0.00
E.B. (#405), (#406), (#463)	American General Life Insurance Company		$13,299.21	-$13,299.21	$0.00
D.C. (#176)	Allstate Insurance Company		$29,723.32	$1,184.36	$30,907.68
R.C. (#157)	Prudential		$27,438.90	-$10,445.87	$16,993.03
J.C. (#217)	Prudential	$8,876.66		-$3,336.89	$5,539.77
J.C. (#407)	Transamerica Occidental Life Insurance Company		$11,953.29	-$8,146.52	$3,806.77
J.C. (#396), (#399) - (#401)	Transamerica Occidental Life Insurance Company		$58,764.52	-$58,764.52	$0.00
K.D. (#651)	Reassure America Life	$21,136.95		$5,483.13	$26,620.08
J.B.D. (#163)	UNUM Life Insurance Company of America		$6,156.20	$0.00	$6,156.20
C.D. (#204)	Western-Southern Life		$16,696.86	-$6,943.19	$9,753.67
G.D. (#361), (#602)	Mass Mutual		$48,442.37	-$48,442.37	$0.00
V.F. #1 (#343)	Minnesota Life	$600,000.00	$104,603.38	$157,368.11	$861,971.49
J.F. (#528)	Lincoln Financial Group (Jefferson Pilot)		$24,320.29	-$1,495.56	$22,824.73
D.F. (#277)	National Life Insurance Company	$136,407.00	$14,603.23	$19,486.68	$170,496.91

Appendix "D"

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

Listing of Outstanding Policy Loans

Amounts in USD

Policy ID	Insurance Company	2009 Loan Received	2011 Loan Received	Current Interest/ Principal Repaid	Outstanding Loan Total
D.F. #2	John Hancock Life Insurance Company	$33,000.00		-$16,701.18	$16,298.82
D.F. (#334)	Mass Mutual		$11,847.80	-$11,847.80	$0.00
V.G. (#158)	AXA Equitable		$6,246.01	-$1,607.47	$4,638.54
J.H.(#264)	Metropolitan Life Insurance Company		$19,634.88	$357.55	$19,992.43
M.H. (#219)	Manulife Financial	$227,976.96		$40,154.04	$268,131.00
R.J. (#298)	Allstate Life Insurance Company		$11,737.15	$470.83	$12,207.98
E.J. (#367), (#626)	Transamerica Life Insurance Company	$331,151.00		$0.00	$331,151.00
H.L. (#359), (#623)	Transamerica Life Insurance Company		$163,388.16	-$13,687.06	$149,701.10
H.L. #2 (#360)	Transamerica Life Insurance Company		$227,717.38	-$29,466.39	$198,250.99
S.L. (#165)	Mass Mutual		$5,914.65	$157.63	$6,072.28
S.L. (#487) - (#489)	Phoenix Life Insurance Company	$10,176.96	$135,763.55	-$145,940.51	$0.00
L.L. #2 (#369), (#619)	West Coast Life Insurance Company	$52,846.05		-$52,846.05	$0.00
L.P.L. (#169)	AXA Equitable Life Insurance Company		$6,090.49	$226.27	$6,316.76
R.M. & D.M. (#337)	Transamerica Life Insurance Company	$125,143.45	$27,865.05	-$16,488.66	$136,519.84
J.M. (#313)	Pacific Life		$8,640.65	-$8,640.65	$0.00
N.M. (#336)	Reassure America Life Insurance Company (formerly Valley Forge)		$15,022.91	-$15,022.91	$0.00
B.O. (#292)	Jackson National Life Insurance Company		$10,757.45	$309.61	$11,067.06
D.P. (#226)	UNUM Life Insurance Company		$9,095.90	$0.00	$9,095.90
D.P. (#227)	Western-Southern Life	$9,771.00		-$3,734.58	$6,036.42

Appendix "D"

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

Listing of Outstanding Policy Loans

Amounts in USD

Policy ID	Insurance Company	2009 Loan Received	2011 Loan Received	Current Interest/ Principal Repaid	Outstanding Loan Total
F.R. (#177)	MetLife		$24,815.34	$644.95	$25,460.29
J.S. (390), (408)-(413), (469), (556), (559),(562)	Beneficial Life		$558,813.56	-$81,979.12	$476,834.44
K.S. (#317)	AETNA Life Insurance Company		$8,109.00	-$408.41	$7,700.59
V.S. #2 (#243)	Cincinnati Life Insurance Company	$11,350.00		$2,892.75	$14,242.75
V.S. (#287)	Principal Life Insurance Company		$7,897.00	$214.43	$8,111.43
J.T. (#642)	Mass Mutual Life Insurance Company		$23,348.96	-$3,834.83	$19,514.13
J.T. (#296)	Aurora National Life Assurance Company		$15,025.02	$163.52	$15,188.54
M.V. (#353), (#592)	Minnesota Life		$44,965.00	$1,728.36	$46,693.36
P.V. (#329), (#542), (#543)	AIG American General		$29,625.81	-$29,625.81	$0.00
M.W. (#600) - (#601)	Banner Life Insurance Company		$24,455.00	-$24,455.00	$0.00
L.W. (#437)	ReliaStar Life Insurance Company		$79,794.00	-$9,684.68	$70,109.32
T.W. (#237)	American National Life Insurance Company		$7,704.85	$287.55	$7,992.40
C.W. (#386), D.H. (#387)	Hartford Life & Annuity Insurance Company		$8,610.55	-$8,610.55	$0.00
H.Y. (#362), (#612)	Riversource Life Insurance Company (Ameriprise)		$33,307.00	-$33,307.00	$0.00
D.Z. (#414), (#415), (#417), (#438) & S.Z. (#416), (#470)	Transamerica Life Insurance Company	$16,945.71	$64,799.56	-$65,311.88	$16,433.39
Total		**$1,822,015.10**	**$2,133,575.74**	**-$488,721.34**	**$3,466,869.50**