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.

TWENTY-SIXTH REPORT OF THE MONITOR ERNST & YOUNG INC.

DATED SEPTEMBER 2, 2016

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TWENTY-SIXTH REPORT OF THE MONITOR
September 2, 2016

A. 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 (solely in its capacity as monitor and not in its personal or corporate capacity, the "**Monitor**") of the Company during these CCAA proceedings (the "**CCAA Proceedings**").

2. To date, the Monitor has filed twenty-five reports with this Court, which are available on the Monitor's website at www.ey.com/ca/universalsettlements (the "**Monitor's Website**"). Details of the background to the CCAA Proceedings are set out in the Twenty-Third Report of the Monitor dated March 24, 2015.

3. USI was in the business of "life settlements". This business involved the purchase of life insurance policies from beneficiaries at a discount from their face amounts. In order for investors to realize on their investment, it was necessary for the premiums on policies to be maintained until the policies' maturity on the death of the policies' insureds.

4. USI sold fractional interests in various life insurance policies to investors. As of the date of its CCAA filing, USI had a portfolio of Policies (as defined below) with an aggregate face value of approximately US$192 million (the "**Portfolio**"). There were approximately 6,000 separate investments by individual and institutional investors in the Portfolio with certain individuals and institutional investors having several investments. USI also had a small interest in the Portfolio for its own account. A large proportion of USI's investors are located in South America and Europe, including Peru, Argentina, Spain, Austria, and Germany.

5. Pursuant to the terms of a court and creditor approved Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "**2009 Plan**"), as amended by the Amendment to the Amended Plan of Compromise and Arrangement dated November 24, 2014 (the "**Plan Amendment**", and the 2009 Plan as amended by the Plan Amendment referred to herein as the "**Plan**"), all policies held by USI on behalf of its investors and all corporately owned policies (collectively, the "**Policies**" and individually a "**Policy**") were pooled and held by a trust created by the Declaration of Trust by USI dated July 17, 2009 (the "**Canadian Trust**"), for the benefit of all Creditors (as defined in the Plan). A copy of the Plan is attached hereto as Appendix "A".

6. Capitalized terms used in this Report and not otherwise defined shall have the definitions given to them in the Plan.

7. Pursuant to the 2009 Plan, cash on hand and proceeds from the Policies and other Plan assets were to be held in the Monitored Trust Account by USI, as trustee, for the beneficiaries of the Plan.

8. Since implementation of the Plan in July 2009 and pursuant to the terms of the Plan, the role of the Monitor has been limited to monitoring the transactions giving rise to the receipts and disbursements in and out of the Monitored Trust Account held by USI, as trustee, as well as monitoring the implementation of the Plan by USI, including distributions to Creditors thereunder. When the 2009 Plan was amended by the Plan Amendment in November 2014, the role of the Monitor was temporarily expanded to include the conduct of the court-approved sale and investor solicitation process in respect of the Policies (the "**SISP**").

9. Pursuant to the Plan Amendment and the SISP, and as described further below, USI, as trustee, sold the Policies held as of April 2015 (the "**Purchased Policies**") to Vida Capital, Inc. ("**Vida**"). The sale to Vida (the "**Vida Transaction**") closed on April 10, 2015.

10. Certain tax issues described below have, to date, prevented USI from making a full distribution of funds currently held in the Monitored Trust Account (which include the proceeds of the Vida Transaction) to Creditors. However, in December 2015, USI declared that an interim distribution would be made to Creditors in accordance with the terms and conditions of the Plan, which interim distribution was made on April 1, 2016

(the "**Interim Distribution**"). Amounts for potential non-resident withholding taxes were deducted from distribution payments to non-resident Creditors from their respective shares of the Interim Distribution and are being held by USI in a distribution account (the "Purchaser Pool Account") and not in the Monitored Trust Account; Cajubi's (defined below) share of this deduction currently held in the Purchaser Pool Account is USD$135,085.43 (the "**Cajubi Withholding Tax Deduction**").

B. PURPOSE OF THIS REPORT

11. This twenty-sixth report (the "**Twenty-Sixth Report**" or "**Report**") provides:

(a) An update on the activities and correspondence of USI and the Monitor since the Twenty-Fifth Report of the Monitor dated March 15, 2016 (the "**Twenty-Fifth Report**");

(b) An update on the funds in the Monitored Trust Account and the reserves to which they are subject;

(c) An update with respect to a proposed second interim distribution to Creditors;

(d) The Monitor's information with respect to Caja Paraguay de Jubilaciones y Pensiones del Personal de Itaipu Binacional's ("**Cajubi**") motion to seek an Order from the Court authorizing a distribution to Cajubi in full satisfaction of Cajubi's entitlement to distributions pursuant to the Plan; and

(e) An update on the receipts and disbursements in the Monitored Trust Account.

C. TERMS OF REFERENCE

12. In preparing this Twenty-Sixth Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with management of USI ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as described in this Twenty- Sixth Report:

(a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

(b) The Monitor has prepared this Report in its capacity as a court-appointed officer solely for the use of the Court and has made a copy of this Report available on the Monitor's Website solely for purposes of providing an update to the Court and Creditors. This Report should not be used or relied upon by any other person or for any other purpose.

(c) Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Additional information regarding the matters discussed herein is set forth in the Affidavit of Chris Halas, sworn January 29, 2016 (the "**Halas Affidavit**"), upon which the Monitor has relied.

D. PLAN, PLAN IMPLEMENTATION AND SALE OF POLICIES

14. As described in detail in the Twenty-Fifth Report, as a result of liquidity issues, the Plan was amended in November of 2014 to permit the sale of the Policies, pursuant to the SISP.

Sale of Policies to Vida

15. Vida was chosen as the most favourable bid, and the sale was closed upon Court approval on April 10, 2015. All initially capitalized terms defined in this paragraph and the following paragraph, have the meanings given to them in asset purchase agreement between USI, as trustee for the beneficiaries under the Plan (the "**Plan Beneficiaries**"), and Vida, dated as of March 23, 2015 (the "**Sale Agreement**").

16. As part of the Sale Agreement, USI, as trustee, is required to withhold a reserve of at least 25% of the Cash Payment (the "**Vida Tax Reserve**") to fund any Taxes that may be payable by virtue of the sale of the Purchased Policies under the Sale Agreement. The Vida Tax Reserve cannot be distributed to the Plan Beneficiaries until (i) there has been a final determination by Canada Revenue Agency (the "**CRA**") of the amount of any Taxes payable (including any Taxes (other than Transfer Taxes (as defined in the Sale Agreement) payable by Vida by virtue of the sale of the Purchased Policies under the Sale Agreement) and such amount, if any, has been paid out of the Vida Tax Reserve to

the Receiver General of Canada, or (ii) a compliance or clearance certificate has been obtained from CRA under the *Income Tax Act* (Canada).

17. It is anticipated that the facts underlying the conditions described in (i) and (ii) above should be settled by the resolution of the Bare Trust Motion (defined in the next section), and as described below, progress is being made to achieve such resolution.

E. THE NATURE OF THE CANADIAN TRUST

18. USI has reviewed and considered the legal nature of the Canadian Trust and the tax implications to USI and its Creditors of the alternatives, including considerations of the implications of it being either a bare trust or a true trust. USI has concluded that the Canadian Trust is a bare trust.

19. The tax consequences of the Canadian Trust being a bare trust are the most economically advantageous for the Canadian Trust beneficiaries, and would likely permit the most expeditious and largest final distribution to such beneficiaries (subject to the release of the Tax Reserve). In the Twenty-Fifth Report, the Monitor advised that a motion by USI for a declaration that the Canadian Trust is a bare trust (the "**Bare Trust Motion**"), which was scheduled to be heard on March 16, 2016, would be adjourned to enable the CRA to consider the relevant issues and take a position. On March 16, 2016, the Bare Trust Motion was adjourned *sine die*, on consent of USI, the Monitor, Cajubi and the CRA.

20. With a view to facilitating the CRA taking a position on the issues underlying the Bare Trust Motion, the Monitor has participated in and coordinated discussions among USI, the CRA and Cajubi. As of the date of this Report, USI is in continued discussions with

CRA regarding the nature of the Canadian Trust and corresponding tax implications, but CRA has not yet taken a final position.

21. As stated in the Twenty-Fifth Report, in the Monitor's view, the Canadian Trust being characterized as a bare trust is consistent with USI's view of the pre-Plan tax relationship between USI and its Investors. The Monitor is advised that USI operated as an agent for its investors, with the investors themselves as the beneficial owners of the policies incurring any applicable tax liabilities in Canada and pursuant to the applicable tax laws of their resident jurisdictions. In other words, the Canadian Trust being characterized as a bare trust is consistent with USI's view of the pre-Plan structure.

22. Numerous discussions have taken place between USI and the CRA, and the Monitor understands that currently all information requests by the CRA for data related to the Bare Trust Motion have been fulfilled. The Monitor has been advised by USI that a meeting between USI's advisors and the CRA is expected to be scheduled during the week of September 12, 2016, where USI will continue to work towards progressing the issues underlying the Bare Trust Motion towards a timely resolution. The Monitor intends to participate in this meeting.

23. The Monitor takes no position regarding the determination of the legal status of the Canadian Trust and is participating in the ongoing discussions between USI and CRA in a facilitative capacity only.

F. STATUS OF DISTRIBUTION TO CREDITORS

Interim Distribution

24. All of the conditions imposed by the Plan for an interim distribution to be made to Creditors (as described in paragraph 57 of the Twenty-Fourth Report) having been satisfied, on December 24, 2015, USI, in consultation with the Monitor, declared payable the Interim Distribution of US$7,400,000 to be paid to Creditors in accordance with the Plan, subject to any withholding taxes.

25. Pursuant to the Plan, 96.15% of the Interim Distribution was to be used to pay distributions to "Purchasers". The remaining 3.85% of the Interim Distribution is to be used to pay "Ordinary Creditors" only if the funds exceed the Litigation Contribution previously paid out of the Monitored Trust Account and then outstanding. The Litigation Contribution then outstanding was approximately USD$301,000, and 3.85% of the Interim Distribution was approximately USD$285,000. Accordingly, because the condition was not met, the Ordinary Creditors did not receive an Interim Distribution.

26. The Interim Distribution was distributed to the Purchasers on April 1, 2016, subject to deductions from distribution payments to non-residents for potential Canadian withholding taxes.

Tax Reserves

27. The Plan requires that any distribution of funds from the Monitored Trust Account must be subject to, among other things, "all applicable tax payment or withholding obligations".

28. In calculating the Interim Distribution, USI and the Monitor considered, taking a conservative view, the maximum potential tax liability that could arise in respect of USI, as trustee of the Canadian Trust, and Vida, as purchaser of the Purchased Policies (which potential liability gave rise to the Vida Tax Reserve). The final determination of the Bare Trust Motion will resolve whether this potential contingent tax exposure results in actual liabilities owing by USI, as trustee, or potentially by Vida, as purchaser.

29. Although USI does not believe that any taxes are owing by the Canadian Trust as a true trust, for the purposes of calculating the tax reserves required pursuant to the Plan for distributions from the Monitored Trust Account to Creditors, it had determined in calculating the tax reserves in connection with the Interim Distribution that if the Canadian Trust were to be found to be a true trust, the greatest possible tax liability of the USI, as trustee of the Canadian Trust, under Part I of the *Income Tax Act* (Canada), plus possible penalties and interest, has been determined to be US$16,249,000. As set out in paragraph 63 of the Twenty-Fourth Report, a reserve in this amount was taken for the purposes of calculating the Interim Distribution (the "**Trust Tax Reserve**"). In addition to the Trust Tax Reserve, for the purposes of calculating the Interim Distribution, USI also reserved for the Vida Tax Reserve in the approximate amount of US$10,000,000, for an aggregate tax reserve of $26,249,000.

30. For the purposes of calculating the Interim Distribution, the Monitor agrees that the conservative approach in account for both the Vida Tax Reserve and the Trust Tax Reserve was prudent. However, subsequent to the Interim Distribution, upon further review and consideration of the reserves, it has been determined that the Canadian Trust's potential Part I tax liabilities, reserved against by the Trust Tax Reserve, and Vida's

potential tax liabilities, reserved against by the Vida Tax Reserve, appear to be mutually exclusive. If the Canadian Trust is a bare trust (as described in the next following section), then Vida may have tax liability as purchaser under the Vida Transaction to the extent the underlying beneficiaries of the Canadian Trust are non-residents and if the Purchaser Policies are considered taxable Canadian property, but the Canadian Trust itself would have no tax liability. If the Canadian Trust is a true trust, then Vida would not have tax liability as purchaser under the Vida Transaction because the Canadian Trust would be considered a Canadian resident seller, but the Canadian Trust may have tax liability if it were to have taxable Canadian income. In other words, it does not appear possible that there would be tax liability owing in respect of tax liabilities that would be covered by the Vida Tax Reserve and by the Trust Tax Reserve; it is one or the other. As a result, providing for a tax reserve for both the Vida Tax Reserve and the Trust Tax Reserve at the full maximum liability amounts appears to be unnecessary.

31. Therefore, after further review and consideration for the purposes of the proposed Second Interim Distribution (as defined below) and the Cajubi Motion (as defined below), it does not appear to be necessary to count both reserves at full value. Rather, in accordance with the Plan and the terms of the Sale Agreement, it is sufficient to take an aggregate tax reserve of $16,248,542 (the "**Tax Reserve**"), being the $9,440,055 Vida Tax Reserve required to be held by the terms of the Sale Agreement, plus an additional reserve of $6,808,488.

Determination of funds available for second interim distribution

32. Pursuant to the Plan, distributions may be made to Creditors only when the amount in the Monitored Trust Account is greater than or equal to the total amount calculated for the Reserve for Costs, plus US$5.0 million. Once these conditions, and all others listed in the Plan, are satisfied, those funds in excess of the amount calculated as the Reserve for Costs plus US$5.0 million may be released to the Purchaser Pool (as to 96.15% of such excess) and Ordinary Creditor Pool (as to 3.85% of such excess) for distribution to Purchasers and Ordinary Creditors in accordance with the terms and conditions of the Plan.

33. Set out below is the calculation as at July 31, 2016 to determine whether there could be a second interim distribution released from the Monitored Trust Account (the "**Second Interim Distribution**"):

	USD$000
Current Balance in Monitored Trust Account:[1]	27,302
Reserve for Costs (excluding tax reserves shown below):	(1,582)
Reserve for Taxes:	
• Vida Tax Reserve:[2]	(9,440)
• Trust Tax Reserve:[3]	(6,808)
Excess funds	9,472

[1] Balance is comprised of USD$27,458,000 plus CAD$167,000 less a reserve for Interim Distributions to Ordinary Creditors of USD$285,000.

[2] This amount is 25% of the Cash Payment (as defined in the Sale Agreement), pursuant to the terms of the Sale Agreement, as amended by the escrow agreement delivered in respect thereto.

[3] These additional tax reserves include amounts to reserve for potential tax and tax-related liabilities of the Canadian Trust, in the event that the Canadian Trust is determined to be a true trust. The amount also includes provision for late payment interest, in the event such taxes are determined to be owing.

34. The "excess funds" of USD$9,472,000 are sufficient to enable a second interim distribution to be made as the amount of excess funds exceeds USD$5MM pursuant to the Plan as referenced above. Accordingly, there are sufficient amounts in the Monitored Trust Account for the Second Interim Distribution to be made, in the approximate aggregate amount of USD$4,472,000 (USD$9,472,000 less the USD$5,000,000 threshold amount imposed by the Plan). The Monitor anticipates that USI will declare such a distribution shortly, subject to any objection from Vida or the CRA resulting from combining the Vida Tax Reserve and the Trust Tax Reserve into the reduced Tax Reserve.

35. Pursuant to Section 4.5, the amount of the Litigation Contribution actually used to pay the USI'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. 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 of Section 4.5 of this Plan exceed the Litigation Contribution previously paid out of the Monitored Trust Account and then outstanding.

36. As of the writing of this Twenty-Sixth Report, the outstanding Litigation Contribution is USD$492,000. Amounts otherwise transferrable to the Ordinary Creditor Pool is approximately USD$481,000 comprised of USD$285,000 from the Interim Distribution and USD$172,000 from the proposed Second Interim Distribution (3.85% x $4,472,000). Accordingly, pursuant to the terms of the Plan, Ordinary Creditors are not entitled to any distribution from the proposed Second Interim Distribution.

G. CAJUBI'S REQUEST FOR TRANSFER OUT OF MONITORED TRUST ACCOUNT AND PURCHASER POOL ACCOUNT

37. Cajubi is USI's largest single creditor, holding approximately 8% of the outstanding Purchaser Pool claims. Since shortly after the closing of the sale of the Purchased Policies to Vida, Cajubi, though its counsel, has been actively participating in negotiations among USI, the Monitor and certain stakeholders, including in particular the CRA. Cajubi's participation has, in the Monitor's view, been constructive and beneficial to progressing the core remaining issues preventing a final distribution of funds in the Monitored Trust Account and the Purchaser Pool Account.

38. Cajubi, though its counsel, has communicated concerns about the costs of these proceedings, including the administrative costs associated with resolving the tax issues currently subject to the discussions between USI and the CRA, as well as concerns about the time that it is taking to make a final distribution. These concerns have been communicated to the Monitor by other stakeholders as well. While the Monitor understands and shares the stakeholders' desire to receive final distributions as efficiently and in the greatest amounts possible, the Monitor notes that the ongoing tax issues are complicated, relatively novel and require extensive input from the CRA. In that regard, the Monitor considers the costs incurred and time spent by USI resolving the tax issues to be reasonable and necessary, in the circumstances.

39. As discussed in the Twenty-Fifth Report, in or around March of this year, Cajubi's counsel requested an immediate distribution of Cajubi's *pro rata* share of all amounts currently in the Monitored Trust Account. The basis for this request is fundamentally that Cajubi does not want to wait for tax issues to be resolved in respect of its distributions,

and rather prefers to account for or otherwise settle any amounts relating to tax liabilities directly. It appears to the Monitor that the same principles could be applied to the Cajubi Withholding Tax Deduction currently held in the Purchaser Pool Account.

40. As noted above, the terms of Plan do not permit such distributions to Cajubi. However, the Monitor does not oppose the relief requested in the Cajubi Motion (as defined below) (a) for the reasons and subject to the conditions set out below, (b) on the basis that the relief being sought by Cajubi would be available to any other petitioning Purchaser[4] who satisfies such conditions and (c) subject to Paragraph 63, below.

41. On Friday July 22, 2016, Cajubi's counsel served the service list in the within proceedings (the "**Service List**") with a motion record (the "**Cajubi Motion Record**") seeking, among other things, an order authorizing a distribution to Cajubi, in full satisfaction of Cajubi's entitlements under the Plan, on the condition that,

(a) not less than 25 days' notice of the motion shall have been given to the Service List and all Creditors who had requested notice of these proceedings; and

[4] The Plan defines "Creditors" to include both "Purchasers" (being creditors of USI by virtue of having made investments in Policies) and "Ordinary Creditors" (being ordinary unsecured trade creditors of USI). The Plan provides that "Ordinary Creditors" are only entitled to a distribution from the Monitored Trust Account in the event that the funds available to "Ordinary Creditors" (defined as the "Ordinary Creditor Pool", or 3.85% of the amount that the Monitored Trust Account exceeds the Reserve for Costs plus USD$5,000,000) exceeds the then outstanding "Litigation Contribution" (which is defined as USD$500,000 plus amounts received in respect of successful litigation by USI against various third parties). As discussed above, as of the writing of this Twenty-Sixth Report, the outstanding Litigation Contribution is USD$492,000. Amounts otherwise transferrable to the Ordinary Creditor Pool is approximately USD$481,000 comprised of USD$285,000 from the Interim Distribution and USD$172,000 from the proposed Second Interim Distribution (3.85% x $4,472,000). Accordingly, pursuant to the terms of the Plan, Ordinary Creditors would not be entitled to any distribution, and accordingly an Ordinary Creditor would not be entitled to an early escrow distribution consistent with the distribution being sought by Cajubi.

(b) Cajubi enter into an escrow agreement in respect of the funds being distributed in form and substance acceptable to the Monitor and USI (the "**Escrow Agreement**").

(the "**Cajubi Motion**").

42. A copy of the Cajubi Motion Record was sent by the Monitor on Tuesday, July 26, 2016 to all investors noted in the records of the Monitor who have requested to be provided with copies of materials filed in these proceedings. A copy of the Cajubi Motion Record was also posted to the Monitor's Website.

43. The Monitor's primary concerns in respect of the relief sought in the Cajubi Motion are threefold. First, any transfer of monies out of the Monitored Trust Account or the Purchaser Pool Account must be (i) subject to protections at least reasonably equivalent to the protections to which funds in the Monitored Trust Account and Purchaser Pool Account are subject, and in the case of the Vida Tax Reserve, Vida must be satisfied by such alternative protections, and (ii) any distributions from any replacement fund must be subject to the reasonably equivalent (on a *pro rata* basis) requirements and conditions as those that apply to the remaining funds in the Monitored Trust Account and the Purchaser Pool Account, subject to *de minimis* exceptions. Second, the requested transfers out of the Monitored Trust Account and the Purchaser Pool Account must not interfere with or prejudice USI's ability to fund from the Monitored Trust Account and the Purchaser Pool Account any tax and tax-related claims, and to fund costs required to resolve the outstanding tax issues, distribute the remaining funds and wind-up the administration of the Canadian Trust, the estate generally and any related matters. Third, the requested

transfers out of the Monitored Trust Account and the Purchaser Pool Account must not prefer Cajubi, or materially prejudice the rights and entitlements of the other Creditors in respect of the funds in the Monitored Trust Account and the Purchaser Pool Account.

Protection of Contingent Tax Liabilities

44. As discussed above, the Tax Reserve has been taken to reserve for potential contingent tax liability of USI, as trustee of the Canadian Trust, or Vida, as purchaser of the Purchased Policies, that may accrue in respect of the sale of the Purchased Policies. In addition, amounts with respect to potential non-resident withholding taxes have been withheld from the Interim Distribution payments to non-residents. If the relief sought by Cajubi is granted, a portion of these reserves corresponding to Cajubi's *pro rata* share of such reserves, and the Cajubi Withholding Tax Deduction, will in effect be exported to a segregated trust account with Cajubi's Ontario counsel, Shibley Righton LLP (the "**Escrow Account**"), subject to the terms of an escrow agreement acceptable to USI, the Monitor and Vida, and the rules and regulations of the Law Society of Upper Canada governing lawyers' trust accounts generally.

45. The terms and conditions described in this Report are designed to mimic the protections and release conditions under the Plan, while providing Cajubi with the possibility of receiving payment of distributions more quickly than other Creditors of funds after a distribution is declared by USI under the Plan by avoiding the administrative delays associated with calculating and administering distribution to approximately 3,500 Creditors.

46. If the Cajubi Motion is granted, the amounts released from the Monitored Trust Account that would otherwise be subject to the Tax Reserve, and all of the amounts released from the Purchaser Pool Account pursuant to the Cajubi Motion, would be held in the Escrow Account pending the resolution of the underlying tax issues. If the tax issues are resolved in such a way that there is liability owing by USI (as trustee) or Vida (as purchaser) to be paid out of the Monitored Trust Account, an amount corresponding to Cajubi's *pro rata* share would be transferred out of the Escrow Account, back to the Monitored Trust Account to be applied by USI, together with monies from the Monitored Trust Account, against the tax liability. Similarly, if the tax issues are resolved in such a way that non-resident withholding tax is applicable to the Interim Distribution, an amount up to the Cajubi Withholding Tax Deduction would be transferred out of the Escrow Account, back to the Purchaser Pool Account, to be remitted to the applicable tax authority on account of non-resident withholding tax deducted.

47. If the tax issues are resolved in such a way that all or a portion of the reserves are unnecessary and a distribution to Creditors is declared by USI, as trustee, in accordance with the Plan, an amount corresponding to Cajubi's *pro rata* share of such reserve would be released from the Escrow Account to Cajubi. Similarly, if the tax issues are resolved in such a way that the Cajubi Withholding Tax Deduction exceeds the non-resident withholding tax applicable to Cajubi in connection with payment of the Interim Distribution, the excess, if any, would be released from the Escrow Account to Cajubi.

48. Under the terms of an Escrow Agreement acceptable to the Monitor, amounts which would otherwise be held in the Monitored Trust Account subject to a reserve or held in the Purchaser Pool Account to fund potential non-resident withholding taxes would

instead be held in the Escrow Account, subject to strict escrow conditions that are reasonably equivalent to those that would be applicable to the funds if those funds had continued to be held in the Monitored Trust Account or the Purchaser Pool Account, and would remain available to USI in the event that the contingent tax liabilities reserved against materialize.

49. This structure appears desirable to Cajubi because (i) as stated above, Cajubi's proportionate share of such amounts that would otherwise be held in reserve could become available to it more quickly if and when the contingent tax liabilities reserved are resolved or finally determined and a distribution to Creditors declared by USI, because Cajubi would not have to wait for all the administration that would be involved in mailing a distribution to all Creditors pursuant to the Plan, and (ii) the relief sought in the Cajubi Motion would also insulate Cajubi from having to bear their proportionate share of any costs over and above the Cost Reserve (as defined below).

The Rights of Other Creditors

50. The Monitor's decision not to oppose the Cajubi Motion is predicated on other Purchasers (but not all Creditors, as discussed above in footnote 2) being entitled to a comparable *pro rata* early distribution into escrow upon the satisfaction of the following conditions, which will also need to be satisfied by Cajubi:

(a) there must be sufficient liquidity in the Monitored Trust Account at the time the request for a transfer is made;

(b) a motion must be brought by the requesting Creditor, the Monitor or USI for court approval of such transfer;

(c) not less than 25 days' notice of the request for a transfer shall be given to the Service List and all Creditors who have requested to be given notice of these proceedings;

(d) the Creditor shall have entered into an escrow agreement in form and substance acceptable to the Monitor, USI and Vida, with an escrow agent acceptable to the Monitor (which must be a recognized Ontario law firm), USI and Vida, in respect of the funds being transferred (which escrow agreement must include the matters set out below and include a segregated trust account maintained by the escrow agent);

(e) the requesting Creditor shall grant a release of its entitlement under the Plan to the funds in the Monitored Trust Account and the Purchaser Pool Account; and

(f) any transfer shall be made in an amount, and subject to a costs reserve, acceptable to the Monitor and USI in their sole discretion.

51. The Escrow Agreement must include the following provisions:

(i) distributions out of escrow to the Creditor shall not be made unless consented to in writing by the Monitor, following the resolution of certain tax issues respecting USI (as trustee) or Vida (as purchaser) and non-resident withholding tax issues respecting the Interim Distribution, or pursuant to Court order;

(ii) distributions out of escrow to the Monitored Trust Account or the Purchaser Pool Account shall be made at the direction of the Monitor in the event that certain contingent tax or tax-related liabilities of USI (as trustee) or Vida (as purchaser) or non-resident withholding taxes respecting the Interim Distribution are or become due and owing;

(iii) if the professional fees (and other costs taken into account in the Costs Reserve) incurred by USI (in its capacity as trustee of the Canadian

Trust) exceed the amount of the costs reserve calculated by USI and the Monitor, the escrow agreement will not require a proportionate amount from the Escrow Account to be returned to the Monitored Trust Account.

52. It is unclear to the Monitor how many Creditors (other than Cajubi), if any, would request transfers of funds out of the Monitored Trust Account and the Purchaser Pool Account (in the case of non-residents) pursuant to the foregoing conditions. The Monitor notes that USI's Purchasers are numerous, and the vast majority have relatively small claims. It would appear to the Monitor that given the foregoing conditions, obtaining such a transfer would be a cost efficient option for only a small number of Creditors.

Calculation of Cajubi's Requested Transfer

53. If the relief requested in the Cajubi Motion is granted, the Monitor has calculated that the transfer to be made to Cajubi, in full and final settlement of its claim for distributions pursuant to the Plan, would be USD$1,937,382 from the Monitored Trust Account and USD$135,085.43 from the Purchaser Pool Account. Of these amounts, the Monitor has calculated that USD$1,186,455 of the amount from the Monitored Trust Account is Cajubi's proportionate share of amounts currently subject to the Tax Reserve, and thus must be held in escrow. In addition, the Cajubi Withholding Tax Deduction must be held in escrow in the Escrow Account.

54. If the relief requested in the Cajubi Motion is granted, the Monitor's calculations indicate that USD$750,927 would not be subject to reserves. However, this proposed distribution amount includes Cajubi's approximate USD$379,500 share of the USD$5 million that is required to be deducted from distributions by the terms of the Plan (see paragraph 32, above). Accordingly, USD$379,500 of this amount should also be held in the Escrow

Account, pending the release or other disposition of the USD$5 million threshold amount required by the Plan, leaving USD$371,427 free of encumbrance.

55. Cajubi has requested that this USD$371,427 amount be released to it without being subject to the Escrow Agreement as an early distribution on a declaration by USI of a Second Interim Distribution. Although the Plan does not permit this distribution to Cajubi at this time, the Monitor notes that it is approximately equivalent to Cajubi's entitlement to its share of the proposed Second Interim Distribution, and in the context of the benefits to USI and its stakeholders of the larger proposal put forth by Cajubi, the Monitor does not oppose such distribution subject to the Court's approval of the same (on the basis that USI will be declaring the Second Interim Distribution and that all other terms and conditions set out in this Report are incorporated). A detailed breakdown of the Monitor's calculations is attached hereto as **Appendix "B"**.

56. The Monitor has calculated the foregoing transfer amounts to Cajubi based on a cost reserve of $1,000,000 (the "**Cost Reserve**"). This amount is intended only for the purposes of calculating the Cajubi transfer, and reflects cost estimates and other contingencies estimated by the Monitor for the purposes of the Cajubi Motion, taking into account Cajubi's contributions, through counsel, to the ongoing attempts to resolve the outstanding tax issues to date. The budgets considered by the Monitor in determining the Cost Reserve are based partly on historical spend rates (which include costs incurred by USI, the Monitor and their respective professionals to address issues raised by Cajubi, which costs may be reduced if the Cajubi Motion is granted), combined with future steps that are anticipated to be taken, through and until the ultimate final distribution and discharge of the Monitor. The Monitor notes that the Cost Reserve for the purposes of the

Cajubi Motion (USD$1,000,000) is lower than the Cost Reserve for the purpose of calculating the Second Interim Distribution (USD$1,582,000).

57. Based on the structure of the proposed Escrow Agreement, if actual costs are less than the Cost Reserve, Cajubi would be entitled to its 7.59% share of the difference between the actual costs and the Cost Reserve. If USI's costs are ultimately greater than the Cost Reserve, the amount transferred pursuant to the Cajubi Motion will be greater than Cajubi would have received if it waited for a distribution at the end of the CCAA proceedings. The Monitor notes that if the actual costs are higher than the Cost Reserve, the impact on other Creditors of Cajubi's 7.59% share will not be material. For example, even if actual costs are higher than the Cost Reserve by $250,000, the impact on the other Creditors will be less than $15,000 in the aggregate, spread across 3500 Creditors.

58. The Monitor notes that although Vida and CRA appear to have been served with the Cajubi Motion Record and as of the date of this Report the Monitor has not been advised of their position with respect to the Cajubi Motion, nor have either one of them filed responding materials, Vida and the CRA will be getting notice of the decision to combine the Vida Tax Reserve and Trust Tax Reserve into a reduced Tax Reserve for the first time in this Report. Because those tax reserves are set up to address potential Vida and/or USI (as trustee) tax liabilities to the CRA, the Monitor recommends that if the Court should see fit to grant the Cajubi Motion, the effective date of such approval should be deferred 10 calendar days to enable Vida and/or the CRA to address concerns, if any, about the Tax Reserve to USI, the Monitor or the Court. Should such concerns be raised that cannot be addressed or resolved, the Monitor would seek advice and directions from the Court in respect of same.

Conclusion

59. Given Cajubi's stated concerns in the past about the administrative fees incurred to date in these proceedings and the administrative fees that have been incurred by USI to date to address issues and concerns raised by Cajubi, the Monitor believes that the consequences of USI's actual costs being greater or less than the Cost Reserve are not unreasonable and have a *de minimis* impact on other Creditors. Therefore, subject to inclusion of the various controls and protections discussed above and subject to Paragraph 63 below, the Monitor does not object to the relief sought in the Cajubi Motion.

H. USI'S POSITION ON THE CAJUBI MOTION

60. The Monitor has been in discussions with USI and Cajubi as recently as the date of this Report regarding USI's position, in its capacity as trustee of the Canadian Trust. The Monitor understands that USI has two primary concerns, which its counsel will speak to at the hearing of the Cajubi Motion, which may be summarized as follows:

(a) Scope of Release: USI has expressed the view that if the Cajubi Motion is to be granted, it must include a comprehensive release of claims by Cajubi; and

(b) Cost Reserves: USI has expressed the view that (i) the cost reserve that should be used in connection with the Cajubi Motion should be the same as the cost reserve used in connection with the Second Interim Distribution, and (ii) if the actual costs of USI through to the end of the CCAA Proceedings are less than the cost reserve used in connection with the Cajubi Motion, Cajubi should not be entitled to a share of the difference.

61. The Monitor understands that if the concerns referred to in subparagraphs (a) and (b) above are not addressed, USI, as trustee, intends to oppose the Cajubi Motion.

62. The Monitor does not question the reasonableness of USI's position, or its discretion as trustee of the Canadian Trust to take such a position. Paragraphs 60 – 61 are intended merely to update the Court on the Monitor's most recent correspondence with USI, and should not be taken to be a definitive or binding statement regarding USI's position. USI will advise the Court of its position directly prior to or at the hearing of the Cajubi Motion.

63. In connection with USI's intention to oppose the Cajubi Motion, Cajubi has raised additional issues, concerns and information requests, and has indicated that it may seek additional relief in these proceedings. The Monitor does not believe that such matters are germane to the relief sought in the Cajubi Motion, but is concerned that these may have a material impact on the future administration of the estate, and notes that a primary basis for the Monitor's position in respect of the Cajubi Motion, including the reduced Cost Reserve, is the prospect that future costs to the estate may be reduced with the distribution of the proposed amounts into the Escrow Account. The Monitor is concerned that any ongoing disputes or claims may impair this objective and may have a bearing on the assessment of the arrangements being sought in the Cajubi Motion. These concerns can be spoken to on the return of the Cajubi Motion.

I. THE MONITORED TRUST ACCOUNT

64. In its Twenty-Fifth Report, the Monitor provided a Statement of Receipts and Disbursements ("**R&D**") for the period since the Plan Implementation Date to

February 29, 2016. The Monitor has continued to monitor the transactions carried out in the Monitored Trust Account since its Twenty-Fifth Report. As at July 31, 2016, the Monitored Trust Account was holding cash in trust totaling approximately $29,070,466, as reflected in the R&D attached as **Appendix "C"**. The Monitor continues to use the historical exchange rate of CAD$1 = US$0.95.

65. There were no receipts for the reporting period from March 1, 2016 to July 31, 2016 (the "**Reporting Period**").

66. Total disbursements for the Reporting Period were approximately $8,774,000 and were largely comprised of the Interim Distribution of $7,490,000, payment of Litigation Contribution of $201,500 to Dykema,[5] payment of the post-Plan administrative fee to USI in the amount of $148,500[6] and professional fees and disbursements of approximately $800,000.[7]

J. CONCLUSION

67. The Monitor does not oppose the relief requested in the Cajubi Motion:

(a) provided that the terms and conditions set out in this Report are incorporated into Cajubi's relief, to address the concerns set out herein,

(b) provided that the relief being sought by Cajubi would be available to any other petitioning Purchaser who satisfies such conditions; and

(c) subject to Paragraph 63, above.

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[5] As further discussed in paragraph 42 through 54 of the Twenty-Fourth Report of the Monitor and approved by the Court pursuant to the order of Mr. Justice Penny dated January 20, 2016.

[6] This payment was made pursuant to the endorsement of Mr. Justice Penny, dated March 16, 2016.

[7] This cost includes professional fees accrued from before the Reporting Period.

ALL OF WHICH is respectfully submitted this 2nd day of September 2016.

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

Brian Denega
Senior Vice-President

Appendix A

The Plan

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.

(e) *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 <u>does</u> 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

[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 Disbursements from Pools

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 Events of Default

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 Monitor's Role

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

Monitor's Calculation with respect to proposed Cajubi Transfer

	CAD$	Exchange	US$	US$	Purchaser Pool (in USD)	Cajubi % of Purchaser Pool (in USD)	
		1.300			96.15%	7.59%	
USD Cash as at July 31, 2016 (Including the VIDA holdback and net of the $7.115 M distribution to Purchasers) of $9.44 million				27,457,736			
CAD Cash as at July 31, 2016	167,587			128,913	26,250,632	1,993,550	
Less: potential true up for Ordinary Creditors from 1st Distribution				(284,900)			
Cost Reserve (see separate Tab "Summary of Cost Reserve Estimate")	(1,000,000)			(769,231)	(739,615)	(56,169)	
				26,532,518	25,511,016	1,937,382	=> potential distribution if no taxes owing (i.e. amount to be paid to Cajubi in escrow) => No withholding taxes when paid in 2016 as the distribution would be a distribution of 'capital' as it is assumed there is no trust income for 2016 that is being distributed
Tax Reserve:							
- VIDA Holdback			(9,440,055)				
- Additional Tax Reserve - See Below			(6,808,488)				
			(16,248,542)	(16,248,542)	(15,622,974)	(1,186,455)	=> tax reserve to remain in escrow
Cash Available for Distribution				10,283,976	9,888,043	750,927	=> "Available Cash" to be released to Cajubi

Per Plan, if the amount exceeds US$5.0 million, then a distribution is to be made

TAX RESERVE

A. Tax reserve for Trust Level Taxes

	Income for 2015: would be the sale of the portfolio and NO expenses deducted for prior years or for 2015.	38,605,644	
	Less: Distribution declared in 2016	(7,400,000)	
		31,205,644	
	Tax rate	49.53%	(15,456,155)
B. Interest on Tax Reserve above - compounded daily at a rate of 6% from			(792,387)
	01-Apr-16		
	31-Jan-17		
Total Tax Reserve			(16,248,542)

VIDA Holdback Section 8.6 of the APA

Total Vida Consideration:			
	Total Vida Consideration:	37,760,218	
		37,760,218	25%
			9,440,055

USI
Cost Reserve for next 2 years (time line as per the plan)
IN CAD$

	Estimate of Outstanding as at July 31st	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Total
EY (June and July)	8,500	40,000	70,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	45,000	45,000	45,000	0	358,500
Blakes (June and July)	52,500	40,000	25,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	40,000	40,000	40,000	0	342,500
Reuters (April to July)	69,200	30,000	30,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	45,000	45,000	45,000	0	439,200
USI (April to July o/s)	120,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	0	480,000
BDO				25,000				25,000					25,000		75,000
Tax Reserve for non-resident withholding taxes not remitted from April 1st															
Distribution							242,027								242,027
Other		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	(1,057,227)	-937,227
	250,200	150,000	165,000	120,000	95,000	95,000	337,027	120,000	95,000	95,000	170,000	170,000	195,000	(1,057,227)	1,000,000

Assumptions:
Dividend distribution occurs in May; Discharge in July

Appendix C

Statement of Receipts and Disbursements

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
Monitored Trust Account Cash Flow
From July 21, 2009 to July 31, 2016
(approximately eighty four months)

($ Canadian)	March 1, 2016 to July 31, 2016	July 21, 2009 - July 31, 2016
Opening cash balance:	37,571,961	
Transfers from Premium Reserve account	0	2,952,296
Transfers from Maturities Account	0	7,007,999
Total Opening Cash Balance	0	9,960,295
Receipts		
Policy Maturities	0	43,936,706
Other	0	6,014,869
Loans	0	15,708,083
Portfolio Sales	0	39,747,597
Post Closing Premiums Reimbursement	0	889,922
Total Receipts	**0**	**106,297,177**
Disbursements		
Policy Portfolio Expenses:		
Premium Payments	0	46,461,310
Administrative Fees	148,500	7,672,552
Mills, Potozcak Fees	0	299,170
Portfolio Administrative Charges - Other	130,354	912,220
Total Policy Portfolio Expenses	**278,854**	**55,345,251**
Restructuring Expenses		
Unaffected Claims	0	782,378
Monitor's fees and disbursements	340,520	3,182,345
Legal fees and disbursements:	0	0
Ogilvy Renault LLP (Norton Rose)	0	89,488
Rueter Scargall Bennett LLP	131,666	634,025
Blake, Cassels and Graydon LLP	326,965	1,523,591
Total Restructuring Expenses	**799,151**	**6,211,827**
Other Expenses:		
Litigation Contribution	201,573	1,275,144
Borrowing Costs Loan Payments	0	15,708,396
Borrowing Costs Interest Payments/Lenders Fee	0	1,764,163
Bank Charges	4,567	8,292
Bank Charges Portfolio Sales	0	3,193
Transfer to Purchaser Pool Account	7,489,579	7,489,579
Total Other Expenses	**7,695,719**	**26,248,767**
Total Disbursements	**8,773,724**	**87,805,845**
Receipts over Disbursements	**(8,773,724)**	**18,491,332**
Foreign exchange gain/(loss)	272,229	618,839
Ending cash balance, July 31, 2016	**29,070,466**	**29,070,466**

Notes:

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

A foreign exchange rate of CAD $1 = USD $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.

Court File No.: 08-CL-7878

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 OF ARRANGEMENT OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

TWENTY-SIXTH REPORT OF THE MONITOR
ERNST & YOUNG INC.

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