Court File No. 08-CL-7878

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

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

TWENTY-FIRST REPORT OF THE MONITOR
Dated November 17, 2014

November 17, 2014

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Applicant

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ONTARIO
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BETWEEN:

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

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TAB 1

Court File No. 08-CL-7878

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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-FIRST REPORT OF THE MONITOR

November 17, 2014

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. Details of the background to the current status of the CCAA Proceedings are set out in the Twentieth Report of the Monitor dated September 19, 2014 (the "**Twentieth Report**"), a copy of which is attached as **Appendix "A"** (without appendices). Capitalized terms not otherwise defined herein have the meaning given to them in the Twentieth Report.

3. To date, the Monitor has filed twenty reports with this Court, which are available on the Monitor's website at www.ey.com/ca/universalsettlements (the "**Monitor's Website**").

4. USI is in the business of "life settlements". This business involves 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 is necessary for the premiums on policies to be maintained until the policies' maturity on the death of the policies' insureds.

5. 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 with an aggregate face value of approximately US $192 million and approximately 6,000 separate investments by individual and institutional investors in its portfolio of policies, some of whom had multiple investments. USI also had a small interest in the portfolio for its own account.

6. On June 22, 2009, an Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "**Plan**") was approved by this Court pursuant to the CCAA following approval by the requisite majorities at meetings of each class of its Creditors held on June 17, 2009 of: (i) investors (defined in the Plan as "**Purchasers**"), and (ii) ordinary trade and other creditors (defined in the Plan as "**Ordinary Creditors**", together with Purchasers, the "**Creditors**").

7. The Plan provides for the "pooling" of all policies held by USI on behalf of its investors, as well as all corporately owned policies (collectively, the "**Policies**") notwithstanding any ownership interest that might have been asserted by Purchasers, and notwithstanding that not all Purchasers were invested in the same Policies. The pooled Policies are held in trust by USI for the benefit of Purchasers and Ordinary Creditors, pursuant to a declaration of trust executed by USI. The Plan provides for a "run off" of the Policies to generate distributions to Creditors. To date, no distributions have been made.

8. For reasons set out in detail in the Twentieth Report, USI, with the Monitor's support, has recommended the sale of the portfolio of Policies with view of generating proceeds for distribution to Creditors.

9. The Plan currently does not permit a sale process to be undertaken unless there are sufficient funds to pay to Purchasers 100% of their original investments, or if the sale

process would generate such a return. As this is unlikely to occur, in order for a sale of the Policies to be undertaken, it is necessary to first amend the Plan. USI therefore has recommended to Creditors that they approve an amendment to the Plan that will permit a sale of the Policies, if a transaction is approved by the Court (the "**Plan Amendment**").

10. On October 1st , 2014, Mr. Justice Penny made two orders:

(a) the "**Meetings Order**", authorizing the Company to file with the Court and to submit to the Creditors for their consideration and vote an amendment to the Plan to permit the marketing and sale of the Policies pursuant to a proposed sale and investor solicitation process attached as Appendix "E" to the Twentieth Report (as it may be amended, restated or supplemented from time to time, the "**SISP**") and to hold separate meetings of the two classes of Creditors on November 5, 2014 (the "**Creditors' Meetings**") in the manner as indicated in the Meetings Order; and

(b) the "**SISP Approval Order**", a copy of which is attached as **Appendix "B"** (without Schedule "A" attached), authorizing the Monitor to carry out the SISP in accordance with the terms of the SISP Approval Order, immediately upon and in the event of: (a) the achievement of the requisite statutory thresholds for approval of the Plan Amendment by the Creditors at the Creditors' Meetings; and (b) the issuance of an order of the Court sanctioning the Plan as amended by the Plan Amendment.

11. On or about November 4, 2014, as a result of correspondence with the Company's European agents and the low number of proxies received for the Creditors' Meetings from European Creditors, it became apparent to the Monitor and the Company that there may have been a delay in the delivery of the Meetings Materials (defined below) to Creditors in Europe. As a result, USI and the Monitor thought it appropriate in the circumstances to adjourn the Creditors' Meetings scheduled for November 5, 2014 to November 12, 2014 to allow for additional time for the Meetings Materials to be delivered to these Creditors and for those Creditors to review, ask questions and vote. Subsequently, upon further investigation by the Monitor, it was discovered that a miscommunication with the respect to the manner of delivery resulted in a longer period of time for delivery than anticipated. As detailed below, the Monitor and the Company

have taken reasonable steps to address the delay in getting the Meetings Materials to the Company's European Creditors. The Creditors' Meetings have been further adjourned to November 24, 2014.

PURPOSE OF THIS REPORT

12. The purpose of this twenty-first report (the "**Twenty-First Report**" or "**Report**") is to:

    (a) Update the Court on the adjournment of the Creditors' Meetings;

    (b) Describe the activities of the Monitor to inform Creditors of the adjournment of the Creditors' Meetings;

    (c) Provide the background to the request for an Order approving certain technical amendments to the SISP to address the consequential postponement of commencement of the SISP due to the adjournment of the Creditors' Meetings; and

    (d) Provide the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

13. In preparing this Twenty-First 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-First 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) Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed; and

(c) 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.

14. 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.

ADJOURNMENT OF THE MEETINGS OF CREDITORS

15. Pursuant to paragraph 10 of the Meetings Order, the Monitor mailed copies of the Notice of Meeting of Creditors, the form of Proxy, the Plan Amendment, the Plan Amendment Resolution, the form of Service List Request, the USI Report, the Twentieth Report, the SISP Approval Order, and the Meetings Order (collectively, the "**Meetings Materials**") on October 6, 2014 to all known Creditors with a Proven Claim or Unconfirmed Claim.

16. This mailing was to provide notice to the Creditors of the Creditors' Meetings scheduled for November 5, 2014, and to provide Creditors with the opportunity to consider and, if deemed advisable, to approve the proposed Plan Amendment, with or without variation.

17. On or about November 4^{th}, 2014, as a result of correspondence with the Company's European agents and the low number of proxies received for the Creditors' Meetings from European Creditors, it became apparent to the Monitor and the Company that there may have been a delay in the delivery of Meetings Materials packages to European

Creditors in certain countries. Creditors in Europe represent approximately 77% of the total Purchasers.

18. The Monitor and Company agreed that an adjournment to a later date would be appropriate under these circumstances to allow additional time for delivery of Meetings Materials to Creditors in Europe and for those Creditors to review, ask questions and vote. The Creditors' Meetings were originally adjourned to November 12, 2014.

19. As noted above, subsequent to the adjournment it was determined by the Monitor that the date of the Creditors' Meetings needed to be further adjourned in order to accommodate a longer than anticipated delivery time. As a result, the Creditors' Meetings were further adjourned to November 24th, 2014, to be held at the InterContinental Toronto Centre, 225 Front Street West, Toronto, Ontario, 10:00 a.m. (Toronto time) for Purchasers and 11:00 a.m. (Toronto time) for Ordinary Creditors.

20. Notice of the adjournment of the Creditors' Meetings was sent out to the Service List, posted on the Monitor's Website and on the Company's website. In addition, the following additional steps were also taken by the Monitor and the Company to provide notice of the new date for the Creditors' Meetings to Creditors:

(a) Sending notice via email to all known email address on file for Creditors, which number approximately 500;

(b) Expediting a mailing of a one page notice from the Monitor (translated into German and Spanish versions as appropriate), to be received by Creditors in advance of the new Creditors' Meetings date, to all known Creditors, advising them of the adjournment of the Creditors' Meetings and directing them to the Meetings Materials on the Monitor's Website if they have not yet received their packages. A copy of the one page notice is attached hereto as **Appendix "C"**; and

(c) Attending at the place of the scheduled Creditors' Meetings at the appointed times to advise Creditors who appeared at the Creditors' Meetings to advise them of the adjournment.

21. To ensure that there have been no other or further delivery issues, the Company has reached out to the certain of the Creditors in Europe who have the largest proportion of investments in each European country where Creditors are located, to inquire as to whether they have received their Meetings Materials. The Company has also been in regular contact with various agents in Europe as well, who represent a large number of European Purchasers.

22. With these efforts, it is apparent that notice has been coming to the attention of European Creditors and the Monitor is now receiving proxies from Creditors located in all European countries in which Creditors are resident. Consequently, the Monitor is of the view that the efforts by the Company and the Monitor to provide additional notice and time to Creditors have been reasonable. The Monitor is not aware of, and the Company has advised the Monitor that it is not aware of any other or further delivery issues.

REVISION OF THE SISP

23. The SISP approved by this Court on October 1, 2014 provided for the SISP to be commenced one (1) Business Day after the sanction order is obtained. As a result of the adjournment of the Creditors' Meetings, a new date for the sanction hearing has been scheduled for November 27, 2014. Therefore, the commencement of the SISP has been postponed until November 28, 2014.

24. As a result of the postponement of the SISP, amendments to the deadlines set out in the SISP, and other technical consequential amendments are required. While the Monitor has the discretion under the terms of the SISP to extend deadlines in the SISP without court approval, as the SISP has not yet been commenced, the Monitor and the Company believe it would cause confusion among potential bidders as to the deadlines contained in

the SISP if the SISP were distributed to potential bidders without those deadlines being changed. Therefore, the Company and the Monitor believe it is appropriate to amend and restate the SISP in order to provide clarity to Creditors and potential bidders who will be reviewing it.

25. As described in the Twentieth Report, the SISP contemplates a two-phase process. In Phase I, Potential Bidders are asked to submit non-binding letters of intent ("**LOIs**"). The current SISP sets a fixed deadline of December 10 for the submissions of LOIs. In light of the delayed commencement of the SISP and the Company's liquidity situation, the Monitor and the Company have reviewed the timelines associated with the SISP and have determined that participation in the SISP by Prospective Bidders can be maximized by having a "floating" deadline for the delivery of LOIs, instead of a fixed deadline.

26. The SISP has therefore been amended to provide that each LOI will be considered by the Monitor as and when it is submitted, and the Monitor will advise each Phase I Qualified Bidder within two (2) Business Days' of receipt of its LOI whether that Phase I Qualified Bidder qualifies as a Phase II Qualified Bidder under the SISP. Once qualified, that Phase II Qualified Bidder can immediately commence additional due diligence and be able to submit a Qualified Bid by the Bid Deadline.

27. An outside deadline for qualification as a Prospective Bidder is now proposed for January 25, 2015, and an outside date for the submission of LOIs is now proposed for February 1, 2015 (the "**LOI Deadline**"). No LOIs would be accepted after the LOI Deadline except as that date is extended in accordance with the terms of the SISP.

28. The Bid Deadline, on which binding offers are to be delivered, is now proposed for February 10, 2015.

29. With these amendments, the Monitor and the Company believe that flexibility is maximized within the timetable available for the SISP. It provides the opportunity for any Phase I Qualified Bidder to move onto additional due diligence in Phase II once it delivers an acceptable LOI without having to wait until the LOI Deadline, thereby

maximizing that bidder's time to conduct its Phase II due diligence and prepare a Qualified Bid, which will encourage a robust participation in Phase II of the SISP. By also holding open the time for receipt of LOIs to February 1, 2015, the Monitor maximizes exposure to the market-place of bidders.

30. The proposed amendments to the deadlines in the SISP will have the effect of postponing the outside date for the closing of a transaction by only 5 days from March 13, 2015 to March 18, 2015. A copy of the proposed Amended and Restated SISP, blacklined to show the changes, is attached hereto as **Appendix "D"**.

31. The amendments to the SISP also include a removal of references to a Management Bid, as USI has advised that Management does not intend to submit a bid, and other technical amendments to reflect this change and the change to dates.

32. The primary changes to the SISP timelines are highlighted below:

Item	**Original Dates**	**Revised Dates**
Prospective Bidder Deadline	December 1, 2014	January 26, 2015
LOI Deadline	December 10, 2014	February 2, 2015
Qualified Bid Deadline	January 30, 2015	February 10, 2015
Closing of Successful Bid	March 13, 2015	March 18, 2015

CONCLUSION AND RECOMMENDATION

33. The Monitor has considered the revised timeline, the projected cash flow, and the liquidity issues facing USI discussed in the Twentieth Report, and is of the view that the revised timelines in the SISP continue to represent a fair and reasonable process, and that

the extension of the outside date for the closing of a transaction by five days can be accommodated without any material negative consequences. The proposed revisions to the deadlines in the SISP will:

(a) Maintain a process that is fair and reasonable given the adjournment of the Creditor's Meetings and the consequential postponement of the commencement of the SISP; and

(b) Permit the SISP to be completed before there are no available resources to maintain the Policies, currently projected to be on or about the end of April 2015.

ALL OF WHICH is respectfully submitted this 17th day of November, 2014.

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

Per: ______________________

Brian Denega
Senior Vice-President

APPENDIX "A"

Court File No. 08-CL-7878

ONTARIO
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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.

TWENTIETH REPORT OF THE MONITOR

September 19, 2014

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. USI is in the business of "life settlements". This business involves 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 is necessary for the premiums on policies to be maintained until the policies' maturity on the death of the policies' insureds.

3. 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 with an aggregate face value of approximately US $192 million and approximately 6,000 individual and institutional investors invested in its portfolio of policies. 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 countries such as Peru, Argentina, Spain, Austria, and Germany. As a result of these CCAA Proceedings, some institutional investors, such as the Bank of Austria, have bought out some of their individual customers' claims.

4. USI's business model was predicated on actuarial estimates obtained by third party actuaries of the life expectancy of the insureds underlying the policies that USI had sold to investors and/or maintained for itself. USI made assumptions regarding the projected cost of premiums based on these life expectancies. However, as of the time of the CCAA filing, insureds had generally lived longer than expected, and a third party reinsurer that had provided insurance to USI against such a risk had failed to honour its financial obligations to USI as a result of its insolvency. As a result, the ability of USI to meet premium obligations and maintain the value of its portfolio of policies on behalf of itself and its investors was threatened.

5. Facing an impending severe cash flow shortfall, USI commenced its CCAA Proceedings in order to permit it, in an urgent manner, to explore options for a restructuring or refinancing of the business that would permit USI to preserve the policy portfolio for the benefit of itself and its investors.

6. On June 22, 2009, an Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "**Plan**") was approved by this Court pursuant to the CCAA following approval by the requisite majorities at meetings of each class of its Creditors held on June 17, 2009 of: (i) investors (defined in the Plan as "**Purchasers**"), and (ii) ordinary trade and other creditors (defined in the Plan as "**Ordinary Creditors**", together with Purchasers, the "**Creditors**"). Attached as **Appendix "A"** is a copy of the Plan.

7. The Plan provides for the "pooling" of all policies held by USI on behalf of its investors, as well as all corporately owned policies (collectively, the "**Policies**") notwithstanding any ownership interest that might have been asserted by Purchasers, and notwithstanding that not all Purchasers were invested in the same Policies. The pooled Policies are held in trust by USI for the benefit of Purchasers and Ordinary Creditors, pursuant to a declaration of trust executed by USI.

8. In accordance with the Plan and pursuant to a monitored account agreement dated July 17, 2009 executed by the Monitor and USI (the "**Monitored Account Agreement**"), USI established a trust account overseen by the Monitor (the "**Monitored Trust Account**") into which proceeds arising from the Policies and other sources such as financing are deposited and held in trust by USI, as trustee for the Creditors.

9. The Monitor does not have possession or control of the Policies, any cash proceeds of those Policies, cash in the Monitored Trust Account, or any other assets of USI subject to the declaration of trust executed by USI and a separate declaration of trust executed by USI's agent, Mills Potoczak and Company ("**Mills**", who assists USI with the processing of premiums and maturities). The Monitor is responsible for monitoring the administration of the Policies by the Company and by Mills in accordance with the terms of the Plan and the Monitored Account Agreement.

10. The Plan permits USI to take out policy loans from insurers, and to borrow from third parties and grant security over the Policies and the proceeds of the Monitored Trust Account if financing is required to pay the costs of maintaining the Policies.

11. The Plan provides that the funds in the Monitored Trust Account may be used to pay various costs associated with maintaining the Policies, including premiums, professional fees, financing costs, an administration fee of $100,000 per month payable to USI, as well as the fees of USI's agent, Mills (collectively, the "**Costs**").

12. The Plan provides that if sufficient funds are available in the Monitored Trust Account, as calculated in accordance with the Plan, a distribution may be made to Creditors. Before any distributions may be made out of the Monitored Trust Account, the Monitor must be satisfied, relying on information provided by USI, that there will be sufficient funds remaining in the Monitored Trust Account to pay Costs for the following two year period plus US$ 5 million. Distributions to Purchasers and Ordinary Creditors out of the pool in the Monitored Trust Account are calculated on the basis of a formula set out in the Plan.

13. For the reasons discussed below, no distributions have been made to Creditors since implementation of the Plan.

14. Upon implementation of the Plan in July, 2009, USI was released from all pre-filing obligations. Since the Plan Implementation Date (as defined in the Plan), USI's role in respect of the Policies has been strictly as trustee of the Policies and their proceeds, with the responsibility of maintaining the Policies in accordance with the Plan, for the benefit of Creditors. USI no longer has any beneficial interest in any of the Policies or in any funds deposited to the Monitored Trust Account. For its services, USI is paid its administration fee of $100,000 a month.

15. To date, the Monitor has filed nineteen reports with this Court, which are available on the Monitor's website at www.ey.com/ca/universalsettlements (the "**Monitor's Website**").

EXECUTIVE SUMMARY OF TWENTIETH REPORT

16. The Plan was premised on an analysis that projected that the pooled Policies held in trust by USI, along with any other cash deposited to the Monitored Trust Account in trust at Plan Implementation Date, would generate sufficient proceeds to distribute to Purchasers the amount of their original investment with USI by the end of six years after the Plan Implementation Date.

17. However, by January 2011, USI had already exhausted all availability to obtain Policy loans on individual Policies from insurers in order to maintain the Policies, (which Policy loans currently total approximately US$2 million). It had become apparent to the Monitor and USI by that time that, based on projections of ongoing costs, without new Policy maturities or other sources of funding, USI would soon run out of funding necessary to continue to maintain the Policies and administer the Plan.

18. As a result of the projected shortfall, USI began to undertake efforts to identify financing sources in order to maintain the Policies. Some Policy maturities extended the cash availability to fund ongoing costs; however, a shortfall was still projected. In October

2012, USI obtained a US $5 million revolving line of credit (the "**Revolving Loan**") from a lender related to one of the principals of USI (the "**Related Party Lender**").

19. As a result of this financing, and periodic additional Policy maturities that have been realized from time to time, USI has been able to continue to maintain the Policy portfolio for the benefit of Creditors. However, the Policies have not generated sufficient proceeds to permit any distributions to Creditors.

20. In early 2014, it again became apparent that without further Policy maturities, there would be insufficient funds in the Monitored Trust Account to maintain the Policies beyond July 2014, even with the Revolving Loan. USI indicated that it intended to seek out an increase to the Revolving Loan of an additional US$5 million. As reported to Creditors in the Eighteenth Report of the Monitor dated March 14, 2014 (the "**Eighteenth Report**"), prior to the Monitor consenting to this increase, the Monitor requested USI to undertake a review of the potential future cash flow of the Policies, and a valuation of the Policies, in order to permit USI and the Monitor to evaluate potential future alternatives for the portfolio.

21. As requested by the Monitor, USI retained the services of Lewis and Ellis, Inc. ("**L&E**"), a respected third party actuarial firm with experience in life settlements, to produce reports estimating the current value of the portfolio based on the life expectancies of the Policies and to project the possible future cash flows of the Policies through a "stochastic" analysis, which estimates the timing of future maturities, and sets those recoveries off against ongoing premium costs.

22. USI sought and obtained the agreement of the Related Party Lender to increase the credit limit on the Revolving Loan to US $10 million, which increase became available at the end of July 2014. The Monitor consented to the increase.

23. However, even with the increased Revolving Loan the cash flow forecast prepared by USI (the "**Forecast**", discussed more fully below) indicates that absent any future Policy maturities, the Revolving Loan will be fully drawn by the end of April 2015, and there

will be no further available cash to continue to maintain the Policies after the end of April 2015.

24. USI received initial reports from L&E in February 2014, which were updated in August 2014 and September 2014. These reports include some significant findings:

(a) There is no scenario in which continued maintenance and "run off" of the Policies will ever generate sufficient cash flow to repay Purchasers 100% of their investments;

(b) There is a significant risk that the Policies will not produce cash flow sufficient to pay any distributions to Creditors for several years; and

(c) After paying costs and expenses, the Policies may not generate any additional value for Creditors than may be realized from a sale at this time, as contemplated on this motion.

25. In the context of these conclusions, USI, in consultation with the Monitor, has considered the viability and advisability of (a) the continued maintenance of the Policies, as compared to (b) a sale of the Policies at this time.

26. Given the fact that the current funds available to USI to maintain the Policies runs out by the end of April 2015, the option of continuing to maintain the Policies is not viable without either significant Policy maturities, or the availability of additional financing. There is no certainty that either of these will occur.

27. Even if USI could overcome its pending liquidity shortfall, it is apparent from the L&E analysis that the option of continuing to run off the Policies presents a significant risk to the prospect of any distributions to Creditors. By far the largest expense of the portfolio is the payment of premiums, which currently average approximately $760,000 per month. The experience of USI to date has been that all proceeds from Policy maturities received to date have been used to pay the ongoing costs of administering the remaining Policies. In other words, the Policy portfolio is at risk of continuing to cannibalize itself.

28. USI, in consultation with the Monitor has therefore recommended to Creditors that they approve the Plan Amendment, which will authorize the Monitor to conduct a sale and investor solicitation process (the "**SISP**") in order to canvass the market for potential purchasers of the Policies, or alternatively investment, refinancing or financing proposals for the Policies. The Monitor supports this recommendation.

29. The Plan currently does not permit a sale process to be undertaken unless there are sufficient funds to pay to Purchasers 100% of their original investments, or such a sale would produce the equivalent recovery. As this is unlikely to occur, in order for the SISP to be undertaken, it is necessary to first amend the Plan.

PURPOSE OF THIS REPORT

30. The purpose of this twentieth report (the "**Twentieth Report**" or "**Report**") is to provide an update to Creditors and to the Court on:

   (a) the cash flow in the Monitored Trust Account from the Plan Implementation Date to August 31, 2014 (the "**Reporting Period**");

   (b) a discussion of the analysis completed by USI based on the reports provided by L&E with respect to future options to manage the portfolio, including management's recommendation on how to proceed;

   (c) information on and the Monitor's recommendations in respect of the motion by the Applicant for Orders:

      (i) authorizing USI to call, hold, and conduct meetings (the " **Meetings of Creditors**") of its classes of Creditors on October 30, 2014, to consider and vote on a resolution to approve the Plan Amendment (as defined below), pursuant to the terms of the draft Meetings Order substantially in the form filed with the Court (the "**Meetings Order**");

(ii) approving the draft Meetings Materials (as defined below), substantially in the form attached to the Meetings Order;

(iii) approving the proposed SISP in the form attached to the draft order filed with the Court as Schedule "C", subject to such non-material amendments as may be agreed to by USI and the Monitor; and

(iv) approving the Twentieth Report and the conduct and activities of the Monitor set out therein.

(d) a description of the proposed process to solicit offers to purchase or to invest in or re-finance or finance the Policies to be undertaken by the Monitor, pursuant to the SISP, to be commenced one Business Day after sanction of the Plan Amendment by the Court; and

(e) the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

31. In preparing this Twentieth 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 Twentieth 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) Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed; and

(c) 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.

32. 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.

33. USI engaged L&E to prepare numerous comprehensive reports that are fundamental to USI's assessment of alternative courses of action to maximize Creditor value in these difficult circumstances. USI has provided the L&E Reports to the Monitor to support USI's analysis and recommendations. The Monitor has not performed any independent actuarial or verification procedures to corroborate L&E's analysis and conclusions.

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

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

BACKGROUND TO THE CURRENT LIQUIDITY SHORTFALL

36. The Monitor's Seventh Report to Court dated May 7, 2009 (the "**Seventh Report**") filed in respect of the Plan, reported that in order to calculate the estimated returns for

investors from the pooled Policies, USI, with the assistance of its financial advisors, had prepared a financial model that was based on a number of assumptions ("**Assumptions**"), including estimates of life expectancies. Based on that financial model, USI projected that the Plan would permit the repayment to Purchasers of the amounts of their original investments over a period of approximately six years.

37. The Seventh Report noted that if actual events, in particular the timing of Policy maturities, deviated from the Assumptions reflected in the financial model, USI's estimates of the amount and timing of distributions to Creditors as outlined in the Plan would change, and that those changes could be material.

38. As the reports of the Monitor filed with the Court from time to time have consistently reported, since Plan Implementation Date the projections on which the Plan was premised have not been met. In its Twelfth Report dated January 7, 2011, the Monitor noted that there was sufficient cash then on hand in the Monitored Trust Account to maintain premiums and other Costs until March 2012.

39. By the time of the Fifteenth Report of the Monitor dated July 26, 2012, the Monitor was reporting that sufficient funds would not be available after September 2012 to pay premiums, and that alternative measures would need to be undertaken to ensure the continued maintenance of the Policies until they mature.

40. USI advised the Monitor in July 2012 that it was in the process of negotiating financing terms with prospective lenders and had taken steps to ensure that measures would be in place in advance of September 2012 to protect against the loss of the value of any Policies.

41. As discussed in the Fifteenth Report of the Monitor, USI entered into negotiations with prospective lenders to ensure sufficient cash to pay the premiums on the Policies. As a result of these efforts and as discussed in the Sixteenth Report of the Monitor dated October 10, 2012, USI obtained non-binding financing term sheets from three lenders to provide it with between US $10 million to US $15 million in financing. From July 2012

to September 2012, USI negotiated financing terms with one prospective lender. USI provided the lender with a period of exclusive due diligence and paid a non-refundable deposit of $50,000 to the lender from the Monitored Trust Account to fund the lender's due diligence costs. During the month of September 2012, USI worked on completing a definitive financing agreement with the lender. However, by September 29, 2012, it became clear that USI would be unable to come to an agreement with the prospective lender on acceptable financing terms in a timely manner.

42. At the time, USI required additional funding before the end of October 2012 to fund Policy premiums due on November 1, 2012. Given these circumstances, following the collapse of negotiations with the prospective lender, USI sought financing from the Related Party Lender, who provided USI with the US $5 million Revolving Loan.

43. The Fifteenth Report undertook a review of the then current circumstances and noted that USI, in consultation with the Monitor, would need to make a determination in advance of the expiry of any financing, (then anticipated to be in July or August 2015), as to whether the Policies should be sold, and how such a sale might be implemented. The Monitor noted that the estimated proceeds that might be generated by a sale would determine whether or not a sale could be pursued under the Plan without an amendment to the Plan, on notice to Creditors.

44. Given these circumstances, the Monitor reported that USI had, at the request of the Monitor, engaged L&E to undertake a valuation of the Policies. The Monitor understands that L&E was chosen by USI due to its extensive credentials in evaluating life settlement portfolios.

45. It was determined based on the valuations obtained from L&E that at that time insufficient proceeds would likely be generated to permit a sale of the Policies to take place without an amendment to the Plan because the Plan stipulated that a sale process could only be initiated 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

(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.

46. The Monitor reported that as of the Fifteenth Report, USI believed that the best course of action in the circumstances was to obtain sufficient financing to continue to run-off the policies until July 2015, as it believed that better value could be achieved for Creditors by doing so. USI indicated that current market conditions for life settlements were not optimal. USI also indicated that since the average age of the insureds in the portfolio was in the late 80s, USI expected there to be an increase in Policy maturities in the coming years. As a result, no steps were taken at that time to pursue a sale of the Policies.

47. The Eighteenth Report indicated that absent new Policy maturities, USI would run out of funds to pay premiums in July, 2014, after having fully drawn the Revolving Loan. As noted above, in order to avoid the lapse of Policies, USI negotiated an increase in the Revolving Loan from US $5 million to US $10 million. As discussed more fully below, based on current projections, the Revolving Loan will be fully drawn by the end of April 2015 and is set to expire in July 2015 and USI has advised that it has no further available resources to maintain the Policies after April 2015.

THE MONITORED TRUST ACCOUNT

Cash Flow in the Monitored Trust Account During the Reporting Period

48. In its Nineteenth Report the Monitor provided a Statement of Receipts and Disbursements ("**R&D**") for the period since the Plan Implementation Date to May 31, 2014. The Monitor has continued to monitor Policy maturities and transactions carried out in the Monitored Trust Account since its Nineteenth Report. As at August 31, 2014,

the Monitored Trust Account was holding cash in trust totalling approximately $512,000, as reflected in the R&D attached as **Appendix "B"**.

49. From May 31 to August 31, 2014:

(a) two Policy maturities occurred with death benefits totalling approximately US $2.0 million, which have not yet been collected by USI on behalf of the Creditors. Currently, 116 Policies representing approximately US $156 million in death benefits have not yet matured. This includes a fractional interest in three Policies.

(b) as described in the notes to the R&D, interest and fees in respect of the Revolving Loan totalling approximately US $134,000 have been paid;

(c) approximately US $2.2 million in policy premiums were paid to insurance companies for Policies that have not yet matured;

(d) $300,000 in administration fees were paid to USI and $10,000 in fees were paid to Mills;

(e) USI received approximately US $697,050 and CDN $5,000 as a result of the settlement of one of the actions identified in the Plan (the "**Actions**") that USI was authorized to pursue under the Plan. Of the settlement funds received, approximately CDN $555,500 was paid to settle the legal costs of USI's counsel in respect of the litigation. The balance has been deposited to the Monitored Trust Account and is available to pay the legal fees and costs of counsel to the remaining Action, pursuant to the Plan; and

(f) approximately $77,000 in professional fees and disbursements have been paid.

Cash Flow Forecast for the Monitored Trust Account

50. With the assistance of the Monitor, USI has prepared the Forecast of estimated cash flow in the Monitored Trust Account that is anticipated for the period of September 1, 2014 to June 30, 2015, as summarized in **Appendix "C"**. The Forecast contemplates the

incremental costs that will be incurred to call and conduct the meetings of Creditors and to conduct the proposed SISP, in addition to the continuing costs of maintaining the Policies. As noted above, the largest proportion of monthly costs is the cost of premiums, which average approximately $760,000 per month.

51. The Forecast assumes that no proceeds relating to new Policy maturities will be received other than the amounts in respect of the two Policy maturities described above and that the Revolving Loan is available to be drawn to a maximum of US $10.0 million. As of August 31, 2014, USI had a balance outstanding on the Revolving Loan of US$ 4.3 million. As noted, the Forecast indicates that after fully utilizing the Revolving Loan and assuming no new Policy maturities in the intervening period, USI will only have sufficient funds to administer the Plan and pay Policy premiums until the end of April, 2015.

USI ANALYSIS OF OPTIONS FOR THE PORTFOLIO

52. As noted above, in order for USI, the Monitor, and the Creditors to assess whether the continued administration of the Policies or a sale of the Policies would be more beneficial to the Creditors, USI commissioned an updated actuarial review of the remaining Policies by L&E.

53. The projections and analysis conducted by L&E are based on the life expectancies of individual insureds ("**Life Expectancies**"), obtained from firms that specialize in calculating such Life Expectancies, based on medical records and current actuarial assumptions regarding life expectancy.[1]

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[1]The L&E Valuation is currently based on one Life Expectancy report, whereas industry standard requires two Life Expectancy reports. A second report has been commissioned by USI, and is expected to be completed by the end of September. Once the second report is received by USI, the L&E reports will be updated. However, L&E advises that it is highly unlikely the results or the conclusions in its updated reports will be significantly different than the reports based on the first Life Expectancy report.

54. The L&E reports include

(a) a stochastic analysis (the "**L&E Stochastic Analysis**") which uses an actuarial simulation called a "monte carlo" to randomly generate potential cash flow outcomes. The simulation completed 50,000 iterations, projecting outcomes at various yearly intervals, to a maximum of 30 years. The analysis considers the expected premium costs over those various time periods, and projects ranges of possible cash flows as a result of the projected timing of maturities, at varying levels of confidence; and

(b) a valuation of the remaining Policies (the "**L&E Valuation**") based on a consideration of projected Life Expectancies, likely Policy maturities, premium costs, and market discount rates.

55. USI has provided an analysis of the options available to Creditors in its Report of USI Management on Possible Future Options for the Portfolio attached to the affidavit of Chris Halas appended to USI's Notice of Motion (the "**USI Report**"). The USI Report provides analysis which supports the recommendation of a process to solicit the sale of the Policies, as well as for investment, refinancing or financing proposals in respect of the Policies. Certain conclusions can be drawn from the L&E reports and the USI Report.

56. As noted above, absent new Policy maturities, the Revolving Loan of US $10 million will be fully drawn by April 2015. The L&E Stochastic Analysis (combined with the current costs of administration) indicates that at the projected rate of Policy maturities, it is likely that additional financing will be needed to maintain the Policies after April 2015, in excess of the existing US $10 million facility.

57. There is currently no indication that any additional financing will be available to USI. Furthermore, the Revolving Loan matures in July 2015 and it is currently unknown whether USI will be able to obtain an extension of this facility or replace it.

58. The L&E Stochastic Analysis only nets out the cost of premiums, and does not consider other administrative costs of maintaining the Policies, such as financing costs and other

professional and administrative fees. However, the L&E Stochastic Analysis indicates that, even without deducting these costs of administration, there is no scenario that provides Purchasers with a return of 100% of their initial investment.

59. Valuation projections also indicate that the Policies may not generate any more value in the future than will result from a present sale.

60. Given the foregoing, it does not appear that the original projections of the Plan can ever be fulfilled and as noted above, it is unlikely that the conditions required under the Plan to commence a sale process could be satisfied.

61. The current valuation set out in the L&E Valuation is lower than the valuation prepared in 2012, as described in the Fifteenth Report. According to USI and L&E, the major reasons for the change in valuation are:

(a) There have been fifteen Policies that have matured since 2012, generating proceeds of approximately US $16.4 million. All of these proceeds have been spent on the administration of the remaining Policies, and these Policies were no longer available to be included in the current valuation; and

(b) Revised industry standards for calculating life expectancy have resulted in longer life expectancies for the insureds.

62. In discussions with L&E and USI, the Monitor has been advised that the companies who estimate Life Expectancies have become more conservative in their estimates, due to, among other things, the general increase in life expectancy in North America. This increase has impacted the mortality tables used by these companies to calculate Life Expectancies, and has generally led to longer projections for maturities. These longer maturities have had a negative impact on the valuation of each Policy. This is due to having to pay premiums for a longer period of time, which makes holding the Policy more expensive, and therefore subject to a greater discount by a purchaser.

63. Given the immediate and serious liquidity risk, and the current projections and valuations provided by L&E, USI is recommending the implementation of a process to solicit the sale of the Policies, as well as for investment, refinancing or financing proposals in respect of the Policies. In support of this recommendation, USI has provided the analysis outlined in the USI Report.

64. This recommendation is supported by the Monitor. The Monitor notes that the projections of the L&E reports are based on actuarial calculations, and actual results may differ significantly from projections. Although the Monitor has reviewed the L&E reports, and concurs with the recommendations of USI based on the information disclosed in those reports, the Monitor is not an actuary and therefore cannot provide an opinion as to the reasonableness or likelihood of achieving results as described in the L&E reports.

65. USI, with the Monitor's concurrence, is recommending the Plan Amendment, which will authorize the Monitor to conduct the SISP, in order to solicit offers for the purchase of the Policies, as well as for an investment in or a refinancing or financing of the Policies.

66. In light of the pending liquidity issue for the Policies, and in order to conduct a sale and investor solicitation process within reasonable time periods rather than a distressed sale under rushed circumstances, it is imperative that the SISP be implemented as early as possible so that value for the Creditors is not materially impaired.

THE PLAN AMENDMENT

67. The proposed amendment to the Plan to permit the recommended SISP (the "**Plan Amendment**") is attached hereto as **Appendix "D"** (revised and blacklined to the version served by USI in its motion record on September 18, 2014, as further described at paragraph 94 below) and is summarized herein. The Plan Amendment would authorize the Monitor to conduct the SISP in the form attached to the Plan Amendment, or any other SISP that may be approved by the Court.

68. Under the Plan Amendment the Monitor is fully and exclusively authorized, empowered and directed to take any and all actions and steps, pursuant to the SISP and the SISP procedures approved by the Court.

69. If it is determined at any time by the Monitor that it may not be in the best interests of the Creditors to commence or continue with a SISP, the Plan Amendment provides that the Monitor shall as soon as reasonably practicable file a motion with the Court seeking advice and directions with respect to the commencement, continuation, modification, suspension or termination of the SISP on notice to the service list maintained by the Monitor on the Monitor's Website (the "**Service List**").

70. If a transaction is recommended by the Monitor, the Plan Amendment directs USI or the Monitor on the Applicant's behalf (if the Monitor is so directed by the Court) to complete any transaction arising from the SISP, without any further vote of the Creditors, so long as that transaction has been approved by the Court, on notice to the Service List and by posting notice of the Court hearing to approve a transaction on the Monitor's Website.

71. The Plan Amendment sets out the process for amending the Plan Amendment, before, during and after the Meetings of Creditors.

72. The Monitor is of the view that the Plan Amendment provides the best alternative to the Creditors and allows sufficient flexibility should the circumstances change. Accordingly, the Monitor recommends the Plan Amendment.

MEETINGS ORDER

73. In order to seek approval of the Plan Amendment from Creditors, the Applicant will be required to conduct meetings of each of the classes of its Creditors, consisting of the Purchasers and Ordinary Creditors. The Meetings Order sets out the process and materials for providing notice to Creditors and the holding and conducting of such meetings.

Timetable

74. The Meetings Order establishes the following timetable:

Mailing of Meetings Materials, Publication of Notice re Creditors' Meeting, and Posting of Meetings Materials on Monitor's Website	Tuesday, September 30, 2014
Meetings of Creditors	Thursday, October 30, 2014
Notice of Motion for Sanction Order	Friday, October 31, 2014
Service of Monitor's Report	Tuesday, November 4, 2014
Notice of Objection to Plan to be filed by Objecting Creditors	Wednesday, November 5, 2014
Sanction Hearing	Friday, November 7, 2014

Notice

75. In order to reach the diaspora of international Creditors, the draft Meetings Order provides that the Monitor shall, on or before September 30, 2014 cause a publication notice of the Meetings of Creditors substantially in the form attached to the draft Meetings Order to be published for a period of one business day in each of, *The Globe and Mail*, National Edition (English language); *Die Press,* an Austrian newspaper (German language); *Handlesblatt,* a German newspaper (German language); *TagesAnzeiger*, a Swiss newspaper (German language) and *La Nacion,* an Argentinean newspaper (Spanish language). These are the same publications that were used for notice in respect of the meetings to consider the Plan in 2009.

76. On or before September 30, 2014 the Monitor will send:

(a) the Notice of Meetings of Creditors;

(b) the form of Proxy;

(c) the Plan Amendment;

(d) the Plan Amendment resolution;

(e) a form of request (the "**Service List Request**") to be added to the Service List (all of the above substantially in the form attached as Schedules to the Meetings Order);

(f) the USI Report;

(g) this Report; and

(h) the Meetings Order (collectively, the "**Meetings Materials**"),

to all Creditors with Proven Claims (as defined in the claims procedure order dated June 23, 2009 (the "**Claims Procedure Order**")) or Unconfirmed Claims (as defined below), but not to Creditors with Unaffected Claims, by mail, registered mail, courier, fax or email. A copy of the Meetings Materials will also be posted on the Monitor's Website in English, German and Spanish.

77. As a supplement to the notice provisions in the Meetings Order, the Monitor will also send a notice of the Meetings of Creditors to the Creditors by e-mail for those for whom the Monitor has an e-mail address, which notice will also include a notice of the Court hearing to sanction the Plan Amendment after approval by the Creditors.

Preliminary Motion

78. The Applicant has provided for a mechanism to allow any Person wishing to bring a motion before the Court (i) with respect to any matter that might affect or delay the Meetings of Creditors or the implementation of the Plan Amendment, or alter the outcome of the Meetings of Creditors, or (ii) to assert and have determined any right other than a right to vote as a Creditor under the Plan (a "**Preliminary Motion**"), to do so

by notifying the Applicant and the Monitor in writing, on or before October 15, 2014 of that Person's intention to bring a Preliminary Motion and a detailed description of the Preliminary Motion to be brought. Additionally, all materials to be relied on by the Person bringing the Preliminary Motion must be served on the Applicant and the Monitor, by no later than October 15, 2014.

79. The Applicant expects that all Preliminary Motions can be heard and determined by this Court by October 22, 2014.

Meetings of Creditors

80. All Creditors with Proven Claims or Unconfirmed Claims, but not Creditors with Unaffected Claims under the Plan, will be entitled to vote on the Plan Amendment at the Meetings of Creditors which will take place on October 30, 2014 at the Intercontinental Toronto Centre, 225 Front Street West, Toronto, Ontario, in the Caledon Room. The Meeting of Creditors for the Purchasers class will take place at 10:00 a.m. (Toronto time), and the Meeting of Creditors for the Ordinary Creditors class will take place at 11:00 a.m. (Toronto time). At the Meetings of Creditors the Creditors will have the opportunity to consider, and if deemed advisable, to approve the proposed Plan Amendment, with or without variation.

81. A representative of the Monitor shall preside as the chair (the "**Chair**") of the Meetings of Creditors and, subject to the terms of the Meetings Order, will decide all matters relating to the conduct of the Meetings of Creditors.

Vote at the Meetings of Creditors

82. At the Meetings of Creditors, the Chair will direct the vote at each Meeting, by written ballot, on a resolution to approve the Plan Amendment and any amendments to the Plan Amendment as the Monitor and the Applicant may consider appropriate.

83. A vote by Creditors at the respective Meetings and by proxy will be binding upon all Creditors, whether or not the Creditor was present or voted at the relevant Meeting.

84. A passing vote on the proposed Plan at the Meetings of Creditors requires a two-thirds majority by value of Claims in each class, and a fifty percent (50%) plus one (1) majority in number of each Creditor by class, who are present at the Meetings of Creditors in person or have submitted a proxy pursuant to the rules for submitting proxies. Each Creditor will be entitled to vote, without duplication, the amount of their Proven or Unconfirmed Claims. For the purpose of calculating a majority in number at each Meeting, each Creditor will only be counted once, even if that Creditor holds more than one claim in the Class then voting.

85. If the amount of a Claim for voting purposes has not been resolved in accordance with the Claims Procedure Order so as to be a Proven Claim at least three (3) Business Days prior to the date of the relevant Meeting of Creditors, the Claim will be deemed to be an unconfirmed Claim (an "**Unconfirmed Claim**") and the Creditor holding such Unconfirmed Claim will be entitled to vote the amount of the Unconfirmed Claim in accordance with the provisions of the Meetings Order, without prejudice to the rights of the Applicant, the Monitor or the Creditor with respect to the final determination of the Claim for voting or distribution purposes.

86. An Unconfirmed Claim will be separately tabulated by the Monitor. In the event that the aggregate Unconfirmed Claims are sufficient to alter the outcome of the vote to approve the Plan Amendment (by number or dollar value), the Monitor will apply to the Court for directions.

SANCTION HEARING

87. If the requisite Creditor approval is obtained at the Meetings of Creditors, the Applicant will seek Court sanction of the Plan Amendment at a Court hearing scheduled for November 7, 2014.

88. Notice of the Court hearing to sanction the Plan Amendment is included in the proposed Notice of Meetings of Creditors which forms part of the Meetings Materials to be delivered to Creditors, and will also be posted on the Monitor's Website.

DESCRIPTION OF SISP

Conduct of the SISP

89. In the event that the Plan Amendment receives the requisite Creditor approval and sanction by the Court, the draft SISP Order provides that the Monitor is to commence the SISP for the marketing of the Policies one Business Day thereafter, which is currently expected to be on or about November 10, 2014. As mentioned earlier in this Report, in the discussion of the Plan Amendment, the proposed SISP and draft SISP Order provides that the Monitor will be fully and exclusively authorized and directed to conduct the SISP for the benefit of the Creditors (defined in the SISP as "**Plan Beneficiaries**") pursuant to the SISP procedures approved by the Court.

90. The proposed SISP is designed to permit the Monitor the flexibility to deal with changing circumstances. If it is determined at any time by the Monitor that it may not be in the best interests of the Creditors to commence or continue with a SISP, the Plan Amendment provides that the Monitor shall as soon as reasonable practicable file a motion with the Court seeking advice and directions with respect to the commencement, continuation, modification, suspension or termination of the SISP, on notice to the Service List.

91. The timetable under the proposed SISP contemplates the closing of a transaction by March 13, 2015 (defined as the "**Outside Date**" in the SISP), which will be in sufficient time to address the liquidity issues.

92. The proposed SISP also provides that any time limits set out in the SISP, including the Prospective Bidder Deadline, the LOI Deadline and Bid Deadline (each as defined below), can be extended by the Monitor from time to time as it considers appropriate and the Monitor may waive compliance with any of the qualifying requirements contained in the SISP with respect to a Phase I Qualified Bidder, LOI, Phase II Qualified Bidder and a Qualified Bid (each as defined below).

Consultation and Management Participation

93. At any time during the SISP, the Monitor may (a) consult with the Company or such other parties as the Monitor considers appropriate in respect of the conduct of the SISP, and/or (b) apply to the Court for advice and directions with respect to the discharge of any of its power and duties under the SISP.

94. The Monitor understands that there exists various state legislation governing the purchase and sale of life settlements in the United States. In order to address any legislative requirements that may be applicable, the draft SISP that was served by USI in its motion record dated September 18, 2014 has since been revised to provide the Monitor with the flexibility to retain such agents, consultants or brokers as it considers appropriate to assist in the conduct of the SISP. Attached hereto as **Appendix "E"** is a copy of the draft SISP, blacklined to show the revisions to the draft served on September 18, 2014. The draft Plan Amendment at **Appendix "D"** has been similarly revised.

95. The proposed SISP contemplates the possibility of a bid in which Management (defined in the proposed SISP as the "**USI Management Team**" comprised of Jeff Panos, Chris Halas, and Riaz Khan, and any other employee of the Company from time to time designated by the Monitor as being a member of the USI Management Team) may be participating in the SISP (a "**Management Bid**"). Under the proposed SISP, Management must submit to the Monitor before the SISP commencement date a notice (defined in the SISP as the "**Management Participation Notice**") if any one or more of them intends to participate in the SISP with respect to submitting a bid.

96. In order to protect the integrity of the SISP, if a Management Participation Notice is received by the Monitor by such date, Management will be excluded from any consultation with respect to any matter related to the SISP.

97. If the Management Participation Notice is irrevocably withdrawn or if after such Management Participation Notice is received, Management does not submit a LOI or

Qualified Bid by the relevant deadlines set out in the proposed SISP, the Monitor is then free again to consult with Management as it determines appropriate from time to time.

Outline of the SISP

98. In order to ensure that no alternatives are excluded from consideration, the proposed SISP also provides for the solicitation of investment, refinancing and financing proposals, in addition to soliciting offers to purchaser, that would make the continued run off of the Policies viable and also permit a distribution to Creditors. The search for refinancing and financing options also provides USI with the option to continue the administration of the Portfolio in the event that offers to purchase the Policies are not available or viable or in the best interests of the Creditors.

99. The SISP describes:

(a) the methods in which prospective purchasers, investors or financiers (defined in the SISP as "**Prospective Bidders**") will be notified of the SISP and how they may participate in it;

(b) the manner in which Prospective Bidders may gain and continue to have access to due diligence materials concerning the Policies;

(c) the manner in which Prospective Bidders and bids are eligible to become Qualified Bidders and Qualified Bids, respectively (each as defined in the SISP);

(d) the criteria for the evaluation of bids received;

(e) the process for the selection of a Successful Bidder (as defined in the SISP);

(f) the timelines for key steps in the SISP; and

(g) the ability for the Monitor to continue, suspend, or terminate the SISP on the advice and directions of the Court.

100. Any transaction(s) arising from the proposed SISP, except for a refinancing or financing transaction, will be made on an "as is, where is" basis.

101. If the SISP is approved, the Monitor will commence the solicitation of interest in the Policies by:

(a) compiling a list of Prospective Bidders to whom a solicitation letter describing the opportunity (the "**Teaser Letter**") will be sent. In anticipation of the SISP, the Monitor has already begun the process of compiling a Prospective Bidder list and has consulted with USI and industry experts in doing so. The proposed Teaser Letter will attach a form of confidentiality agreement for execution by any prospective bidders (the "**Confidentiality Agreement**"), which can be executed by the Monitor, on behalf of USI, if there is a Management Bid; and

(b) publishing notices in designated publications as listed in the proposed SISP (the "**Publication Notice**").

102. With the assistance of USI, the Monitor will establish and manage an electronic data room for the conduct of due diligence by prospective bidders who deliver to the Monitor an executed Confidentiality Agreement by 5:00 pm. (Toronto time) on Monday, December 1, 2014 (the "**Prospective Bidder Deadline**") or such later date as the Monitor may determine appropriate or the Court orders, and who meet the other requirements set out in the proposed SISP in order to be designated by the Monitor as a "**Phase I Qualified Bidder**" under the SISP. Such other requirements include, among other things, the Monitor's satisfaction with a Prospective Bidder's financial and other capabilities to consummate a transaction and the likelihood that such Prospective Bidder will consummate a transaction pursuant to the SISP.

103. After consultation with USI and industry experts, the Monitor has determined that it is appropriate that the proposed SISP be conducted in two phases. One of the key reasons for the proposed two phase process is to protect the confidentiality of sensitive personal information relating to the Policies.

Phase I of the SISP

104. In Phase I of the proposed SISP, the Monitor will solicit non-binding letters of intent or in the case of refinancing and financing proposals, non-binding financing discussion papers or term sheets (the "**LOIs**") from Phase I Qualified Bidders by 5:00 p.m. (Toronto time) on Wednesday, December 10, 2014 (the "**LOI Deadline**"), or such later date as the Monitor may determine appropriate or the Court orders. Only Phase I Qualified Bidders will be permitted to participate in the Phase I due diligence and submit an LOI for consideration by Monitor.

105. Phase I of the proposed SISP will be conducted over a period of approximately thirty days commencing within one Business Day after the Court sanction of the Plan Amendment. The Phase I period will cover the time required to negotiate and obtain executed Confidentiality Agreements from Prospective Bidders, and will cover the initial Phase I due diligence. The Phase I due diligence in respect of the Policies will largely involve the review of the Life Expectancy reports obtained by USI, the review of premium illustrations, and the review of the L&E valuation reports and stochastic analysis that will be made available in the data room. As there is a limited amount of documentation that a Prospective Bidder will be interested in reviewing for Phase I, the Monitor is satisfied that a thirty day period for Phase I is sufficient.

106. Phase I of the proposed SISP sets out the required elements of an LOI, including, among other things, an indication of the proposed purchase price or financial terms, as applicable, of the proposed sale or investment proposal, a detailed listing and description of the Policies to be included in a purchase, or the manner in which an investment is to be made, as well as any conditions to closing of a transaction, and the proposed timeline to close a transaction by the Outside Date, with critical milestones.

107. If the LOI is for a refinancing or financing, the LOI may be in the form of a non-binding financing discussion paper or term sheet, outlining the terms under which the Phase I Qualified Bidder would be prepared to refinance or finance the Policies. Such LOI would, among other things, include the amount of financing available, the cost of such financing,

the terms of repayment and term of the facility/facilities, any conditions of financing, including details regarding further due diligence required, any approvals required to close the proposed transaction and the anticipated timeframe and any anticipated impediments for obtaining any such approvals, and a timeline to closing which is to occur on or before the Outside Date, with critical milestones.

108. The Monitor will review and evaluate the LOIs and will identify those Phase I Qualified Bidders with whom the Monitor seeks to pursue a transaction or financing, who will then be permitted to participate in Phase II of the SISP as "**Phase II Qualified Bidders**".

Phase II of the SISP

109. Phase II of the proposed SISP contemplates additional due diligence being available to the Phase II Qualified Bidders including sensitive personal information. The Monitor understands that Prospective Bidders would require a longer period of time in Phase II to perform due diligence in order to be able to put forward a binding offer for some or all of the Policies, given the detailed review of medical information and independent calculations that a Prospective Bidder for the purchase of the Policies would expect to make in order to put forward a Qualified Bid. Phase II of the proposed SISP will be allocated approximately seven weeks. While part of this period is over the holiday season in December, the Monitor is satisfied, after consulting with USI and other industry experts that sufficient time in the proposed SISP has been allocated for the conduct of Phase II due diligence.

110. The proposed SISP sets out the requirements for a bid from a Phase II Qualified Bidder to be identified as a "**Qualified Bid**" under the SISP. Those requirements include, among other things, full disclosure of the identity of each person or entity participating in the bid, a description of the Policies that are the subject matter of the bid, written evidence of financing or financial ability to complete a transaction, confirmation of the binding nature of the offer and its availability for acceptance, any conditions to closing, and the timeline proposed to close the proposed transaction.

111. Pursuant to the draft SISP, a Qualified Bid for the purchase of Policies or for an investment in the Policies (but not in respect of a refinancing or financing) will be required to be accompanied by a deposit in an amount equal to fifteen percent (15 %) of the total proposed purchase price or proposed investment.

112. The proposed SISP requires the Qualified Bid to be a binding offer which is to be irrevocable and open for acceptance until 11:59 p.m. Toronto time on the Business Day after the closing of the Successful Bid. The Qualified Bid should not be conditional upon, among other things, the outcome of the unperformed due diligence, obtaining any financing, or approval by the Qualified Phase II Bidder's board of directors, investment committee, credit committee or comparable governing body.

113. A draft form of purchase and sale agreement (defined as the "**Form of APA**" in the proposed SISP) will be prepared by the Monitor which will form the basis of any Qualified Bid to purchase the Policies. All Phase II Qualified Bidders who seek to purchase all or some of the Policies will be required to submit an executed purchase agreement based on the form of APA, along with any mark-up of the form of APA to show any amendments. For Qualified Bids that are for the refinancing or financing of the Policies, Qualified Bidders will be asked to provide a binding financing term sheet or commitment letter.

114. The Monitor will assess and evaluate all Qualifying Bids received by the Bid Deadline based on the various criteria outlined in the proposed SISP, which will differ depending on whether the Qualified Bid is for a purchase of the Policies, or for an investment or a financing or refinancing of the Policies.

115. For a Qualified Bid in respect of a purchase of the Policies, the proposed SISP provides that among other things, the Monitor will assess and evaluate the Qualified Bid based on consideration of, among other things, the following:

(a) the purchase price and net value (assuming all assumed liabilities and other obligations to be performed by the Phase II Qualified Bidder) provided by the Qualified Bid;

(b) whether the Phase II Qualified Bidder is willing to provide any financing to USI, as trustee of the Policies, during the period from closing of the transaction to the formal transfer of the Policies by the insurance companies, which transfer releases any purchase price proceeds held in escrow to the Monitored Trust Account. Any such financing may address any liquidity issues and/or contribute to maximizing distributions to Creditors by reducing the financing costs in respect of the continued administration of the Policies during such interim period;

(c) the firm, irrevocable commitment for financing the transaction or other evidence of ability to consummate the proposed transaction;

(d) the proposed revisions to the Form of APA (if the Qualified Bid is for a purchase of the Policies) and the terms of the transactional documents;

(e) the proposed conditions to closing and the speed, certainty and value of the transaction and ability to close the transaction by the Outside Date; and

(f) the likelihood of the consummation of the proposed transaction by no later than the Outside Date.

116. If one or more Qualified Bids are received by the Monitor at 5:00 p.m. (Toronto time) on Friday, January 30, 2014 (the "**Bid Deadline**"), or such other date as the Monitor may determine appropriate or the Court orders, the proposed SISP provides that the Monitor will be authorized to continue negotiations with a selected number of Phase II Qualified Bidders, or it may finalize negotiations and accept a Qualified Bid or a combination of Qualified Bids (the "**Successful Bid(s)**"). Under the proposed SISP, the Monitor will be permitted to consider and accept a combination of Qualified Bids that together represent the best outcome for Plan Beneficiaries. The Monitor is not obliged to accept any Qualified Bid and may reject all Qualified Bids.

117. As the Monitor does not expect there to be any regulatory or third party consents required to close any sale, investment, refinancing or financing, it expects a closing by mid-March 2015.

118. The Monitor understands that it is not unusual for life settlement sale transactions to require that the purchase price proceeds be held in escrow pending formal transfer of the Policies to the purchaser in the insurers' books and records. The proposed timing for closing would give sufficient time for the formal transfer of the Policies by the insurers to occur, which USI anticipates will take approximately 60 days. This would result in the release of any escrowed purchase price funds to the Monitored Trust Account before maturity of the Revolving Loan and any liquidity shortfall is expected to occur.

119. The Monitor also understands that responsibility to pay any premiums is typically assumed by a purchaser immediately upon closing, even though proceeds of sale have not yet been released from escrow. As noted above, the SISP provides for the closing of a transaction by March 13, 2015. In the case of a sale of the entire portfolio of Policies, USI will be relieved of any liability for Policy premiums upon closing. This will free up approximately two additional months of liquidity, to the end of June 2015, which appears to be more than sufficient time to complete the transfers of the Policies.

120. The Monitor cautions that the transfer period could be longer than 60 days. During this period, the Monitor notes that any Policy maturities occurring after the closing of a sale transaction may accrue to the Purchaser and not for the benefit of Creditors, while proceeds from the sale transaction remain held in escrow pending formal transfer of the Policies by the insurers. If this period extends past the end of June, 2015, then USI will be required to identify options to bridge the shortfall until proceeds are released from escrow.

Proposed Timeline for the SISP

121. In establishing the proposed SISP timelines, the Monitor consulted with USI and with members of its firm with industry experience with life settlements to determine market

standards for the conduct of due diligence and the timing for the completion of a transaction in non-distressed situations. The Monitor also took into account advice regarding the length of time that would be required after the closing of a transaction in order to effect the formal transfer of the Policies to a purchaser and obtain the release of the purchase price proceeds from escrow to the Monitored Trust Account for distribution to Creditors in accordance with the terms of the Plan.

122. In determining the timeline, the Monitor was also required to take into account the liquidity issues facing the USI as discussed in this Report, absent additional Policy maturities, or additional financing. After considering all of the variables, the Monitor has determined that the commencement of the SISP immediately after the Court sanction of the Plan Amendment and the proposed timeline for the SISP is the most reasonable and appropriate in the circumstances.

123. The key steps and timelines as contemplated by the proposed SISP and the proposed SISP Order are summarized in the chart below. The Monitor makes note that to maintain flexibility, the proposed SISP provides the Monitor with the discretion to extend any of the timelines set out in the SISP:

STEP	**TIMELINE**
Teaser letters to be sent out with form of Confidentiality Agreement to Prospective Bidders	As soon as practicable after Plan Sanction Order expected to be on or about November 10, 2014
Electronic data-room to be made available for due diligence by Phase I Qualified Bidders	As soon as practicable after Plan Sanction Order expected to be on or about November 10, 2014
Publication of Publication Notice	As soon as practicable after Plan Sanction Order, expected to be on or

	about November 13, 2014
Prospective Bidder Deadline	Monday, December 1, 2014
LOI Deadline	Wednesday, December 10, 2014
Identification of Phase II Qualified Bidders	As soon as practicable after LOI Deadline, expected to be on or about December 15, 2014
Qualified Bid Deadline	Friday January 30, 2015
Selection of Selected Bidders	As soon as practicable after the Qualified Bid deadline on Friday January 30, 2015
Closing of Successful Bid(s)	March 13, 2015

Approval of Transaction by the Court and Notice

124. Based on the foregoing, the Monitor anticipates that the motion for approval of any transaction under the SISP will be served on or about February 20, 2015, and will be scheduled to be heard on or about March 3, 2015.

125. In considering the appropriate notice procedures with respect to a motion for approval of a transaction, the Monitor has considered the fact that Creditors, who are numerous and spread across several countries, will be voting on a Plan Amendment that will authorize the Monitor to conduct the SISP and complete a transaction that is approved by the Court, but as a result of practicalities of cost and timing, will not be approving a specific transaction or transactions that may result from the proposed SISP. As detailed below, the Monitor therefore has taken several steps to provide for prompt notice to be given to Creditors of the Court hearing to approve the transaction and the opportunity to appear at the approval motion if they wish to object to a transaction, without having to incur the delay and expense of mailing notices and copies of the Court materials to each Creditor.

126. The Applicant has also provided in the draft SISP Order that an update will be provided to Creditors with respect to the status of the SISP and the date of any upcoming Court motion for approval of a transaction pursuant to the SISP on the Monitor's Website on a fixed date, Friday, February 13, 2015. This date is the anticipated date for the finalization of one or more transactions in respect of the Policies, subject to Court approval. USI will advise Creditors of this date and the process for any obtaining subsequent updates in its letter to Creditors that will accompany the Meetings Materials.

127. The draft Meetings Order filed on this motion also provides that any Creditor who wishes to add themselves to the Service List in these CCAA Proceedings may have themselves added to the Service List pursuant to the Service List Request, which will be included as part of the Meetings Materials and which will be posted on the Monitor's Website. The Service List Request form is a simple form that Creditors can complete and forward to the Monitor so long the Creditor has a valid email address that can accept service of the court documents. If a Creditor is added to the Service List, the Creditor will receive service of notice of any Court hearing in these CCAA Proceedings. In this way, any Creditor who has an interest in following or participating in these CCAA Proceedings can ensure that such Creditor can obtain direct notice of any motions, including any motion to approve a transaction arising from the proposed SISP.

Amendments to the SISP

128. The proposed SISP may not be amended without the consent of the Monitor and the approval of the Court.

THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

129. The most compelling factor for Creditors in considering the Plan Amendment is the fact that USI is highly unlikely to have liquidity after the end of April 2015 to continue to pay Policy premiums. Premium costs currently average approximately $760,000 per month. The existing US $10 million credit facility will likely be insufficient to provide future required funding. There is no guarantee that any further Policy maturities will be

realized, or additional financing will become available before Policies begin to lapse for non-payment of premiums resulting in permanent losses to Creditors.

130. The Revolving Loan matures in July 2015. USI has advised in the USI Report that it currently has no available resources to maintain the Policies after April 2015.

131. The proposed Plan Amendment and the proposed SISP provide maximum flexibility to the Monitor to suspend or terminate the SISP on the advice and directions of the Court if it is in the best interests of the Creditors to continue to run off the Policies. The proposed SISP will also permit the Monitor to explore all available options for refinancing and financing or investment opportunities, in addition to sale options, with the objective of maximizing potential distributions to Creditors.

132. Due to the nature of this investment, the timing of Policy maturities cannot be known or forecasted with certainty, and it is possible that significant Policy maturities could be collected in the short-term. However, based on the L&E Reports, the possibility of collecting substantial Policy maturities sufficient to "self-fund" the continued administration of the Policies is outweighed by the risk of a liquidity shortfall, which could quickly erode the value of the portfolio through the lapsing of Policies, or an expedited sale under duress, and based on historical experience, the Policy portfolio will be at risk of continuing to cannibalizing itself.

133. Given all the circumstances described above, the Monitor is therefore of the view that based on the information currently available and the analysis completed by USI and L&E, the proposed Plan Amendment provides Creditors with the highest chance to receive a distribution under the Plan while maintaining the flexibility to continue the administration of the Policies, should refinancing or financing be available in an amount sufficient to continue the administration of the Policies, and ultimately yield sufficient funds to make a distribution to Creditors.

134. The Monitor has considered other sales processes conducted under the supervision of the Court, and has considered the particular circumstances of this matter, which are

somewhat unique, and is of the view that it has established a process for the marketing of the Policies in an orderly and efficient manner, that is fair and reasonable in the circumstances, ensures transparency, and will maximize value for the Policies or will obtain a favourable investment in or refinancing or financing of the Policies. The Monitor is of the view that the process and timetable outlined in the proposed SISP is reasonable in the circumstances, and that is desirable to have this alternative approved at this time so that the Monitor is in a position to immediately implement the SISP in the event that the Plan Amendment is approved by the Creditors and sanctioned by the Court.

135. The Monitor recommends that the Creditors approve the proposed Plan Amendment and authorize the conduct of the proposed SISP.

ALL OF WHICH is respectfully submitted this 19th day of September, 2014.

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

Per:

Brian Denega
Senior Vice-President

APPENDIX "B"

Court File No. 08-CL-7878

ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE MR	)	WEDNESDAY, THE 1st
	)	
JUSTICE PENNY	)	DAY OF OCTOBER, 2014
	)	

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

O R D E R

(APPROVAL OF SALE AND INVESTOR SOLICITATION PROCESS)

THIS MOTION, made by the Applicant, Universal Settlements International Inc., ("**USI**") for an order approving a proposed sale and investor solicitation process in the form attached hereto as Schedule "A", was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion and Motion Record dated September 18, 2014, and the Twentieth Report of Ernst & Young Inc. in its capacity as Monitor (solely in its capacity as monitor and not in its personal or corporate capacity, the "**Monitor**") dated September 19, 2014 (the "**Twentieth Report**") and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, and counsel for Cajubi

Caja Paraguaya de Jubilaciones y Pensiones, and on reading the affidavits of service of Joan Xu sworn September 18, 2014 and Andrea Ottaway sworn September 23, 2014 advising that the parties listed on the service list attached to the Motion Record (the "**Service List**") were served with the Motion Record and the Monitor's Report,

1. **THIS COURT ORDERS** that any capitalized terms not defined herein shall have the meanings set out in the Meetings Order dated October 1, 2014.

2. **THIS COURT ORDERS** that the sale and investor solicitation process in the form attached as Schedule "A" to this Order, subject to such non-material amendments as may be agreed to by USI and the Monitor (the "**SISP**"), be and is hereby approved, and subject to paragraph 3 below, the Monitor is authorized and directed to carry out the SISP in accordance with its terms and this Order and is authorized and directed to take such steps as it considers necessary or desirable in carrying out its obligations thereunder.

3. **THIS COURT ORDERS** that the SISP may be implemented in accordance with its terms and this Order, immediately upon and in the event of: (a) the achievement of the requisite statutory thresholds for approval of the Plan Amendment by Creditors at Meetings of Creditors scheduled for November 5, 2014; and (b) the issuance of an Order of the Court sanctioning the Plan Amendment ("**Plan Amendment Approval**").

4. **THIS COURT ORDERS** that upon receipt of Plan Amendment Approval, the Monitor is authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable in furtherance of this Order and the SISP.

5. **THIS COURT ORDERS** that the Monitor may seek advice and directions from the Court in respect of any aspect of the SISP, including advice and directions with respect to the commencement, continuation, modification, or termination of the SISP.

6. **THIS COURT ORDERS** that the Monitor shall not incur any liability or obligation as a result of the exercise of the Monitor's authority under this Order, or its conduct of the SISP, including any solicitations, advertising, marketing, negotiation or the completion of a transaction pursuant to the SISP on behalf of USI (if so directed by the Court), the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, save and except as may result from gross negligence or wilful misconduct of the Monitor.

7. **THIS COURT ORDERS** that in carrying out its duties and powers pursuant to this order, the Monitor is not, and shall not be deemed to be, a director, officer or employee of the Applicant.

8. **THIS COURT ORDERS** that in connection with the SISP, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, and any applicable comparable provincial legislation, the Applicant and/or the Monitor shall disclose personal information of identifiable individuals to prospective purchasers or bidders, and to their advisors (collectively, "**Bidders**"), but only to the extent desirable or required to seek solicitations in respect of the Policies (each, a "**Transaction**"). Each Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to the evaluation of a Transaction, and if it does not complete a

Transaction, shall return all such information to the Applicant, or, in the alternative, destroy such information. Such Bidder, if successful, shall be entitled to continue to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Applicant and shall return all other personal information to the Applicant or ensure all other personal information is destroyed. Nothing herein shall derogate from any obligations assumed by Bidders in any confidentiality agreement executed by them in connection with their participation in the SISP, or any other requirements under any federal, state or other privacy legislation or regulation in the United States, including the *Health Insurance Portability and Accountability Act*, or any other applicable jurisdiction.

9. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court and of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the Republic of Austria, the Federal Republic of Germany, Spain, Switzerland or the United States of America and any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

10. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized

and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

11. **THIS COURT ORDERS** that notice of any motion to approve a sale or investment agreement pursuant to the SISP, or any motion for advice and directions in respect of the SISP, or any other motion in relation to the SISP, shall be given by the Monitor and/or the Applicant by service on the Service List (which will include any Creditor who requests to be added to the Service List pursuant to the Service List Request form attached at Schedule "G" to the Meetings Order) and by posting notice of the date for the motion and the motion materials on the Monitor's website at www.ey.com/ca/universalsettlements. The Monitor shall post a status update on its website with respect to the conduct of the SISP on February 13, 2015, which notice shall advise Creditors and other interested parties of the date of any such motion, or in the alternative, if such date has not yet been set, shall provide notice of the date that it will post a further status update with respect to any such motion. A copy of this Order shall be included in the Meetings Materials to be delivered to Creditors pursuant to the Meetings Order. Notice of any motion in such manner shall constitute good and sufficient service of notice of such motion upon all persons who are entitled to receive such service and no other form or service need be made and no other materials need be served on such persons in respect of any motion.

12. **THIS COURT ORDERS** that this order shall constitute an "Order" for purposes of the Plan.

Penny J.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

OCT - 1 2014

MB

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 OR ARRANGEMENT OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

O R D E R

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Lawyers for Universal Settlements International, Inc.

APPENDIX “C”

EY
Building a better working world

Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, PO Box 251
Toronto, ON M5K 1J7

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ey.com

Dear Sir or Madam:

THIS NOTICE IS BEING SENT TO YOU AS A CREDITOR OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC. ("USI")

You were recently mailed a package containing documents that give notice of a meeting of the Creditors of USI to approve an amendment to USI's Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "Plan") scheduled to take place on November 5, 2014. **Due to delays in delivery, some of you may not have yet received this package.**

Because of such delays, we are writing to advise you that the meeting of Creditors originally scheduled for November 5, 2014 (and which was initially postponed until November 12, 2014), **HAS BEEN FURTHER POSTPONED UNTIL MONDAY, NOVEMBER 24, 2014,** to be held at Intercontinental Toronto Centre, 225 Front Street West, Toronto, Ontario, at 10:00 a.m. (Toronto time) for Purchasers and at 11:00 a.m. (Toronto time) for Ordinary Creditors.

This postponement is intended to provide you with additional time to consider the documents and, if you wish, vote at the meeting of Creditors.

IN ORDER TO BE ELIGIBLE TO VOTE, COMPLETED PROXIES MUST BE RECEIVED BY ERNST & YOUNG INC. ON OR BEFORE 5:00 p.m. (TORONTO TIME) ON NOVEMBER 21, 2014, if you do not intend to attend the meeting to vote in person.

The proposed amendment will, if approved, amend the Plan in order to permit USI to undertake, on behalf of Creditors, a process to sell the life insurance policies currently held in trust by USI on behalf of Creditors. USI must obtain the approval of Creditors and of the Canadian court in order to amend the Plan as proposed.

A description of the proposed amendment, the reasons for it, and instructions for voting are contained in the package that was mailed to you. If you have not yet received the package, a copy of it, including the form of proxy that is required to be submitted to Ernst & Young Inc. in order for you to vote, is found on the website of Ernst & Young Inc. at www.ey.com/ca/universalsettlements. Information regarding any further change to the date, time or location of the meeting can also be found at this website.

Completed proxies may be emailed to Ernst & Young Inc. at universal.settlements@ca.ey.com, or may be faxed to Ernst & Young Inc. to the attention of Franca Mazzulla, at 1-416-943-3300.

If you have any questions regarding this letter or the package of documents that you have received, please contact us by email at universal.settlements@ca.ey.com.

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

APPENDIX "D"

SCHEDULE "A"

AMENDED AND RESTATED SALE AND INVESTOR SOLICITATION PROCEDURES

Universal Settlements International Inc.
Procedures for the Sale and Investor Solicitation Process

Recitals

A. On December 2, 2008, Universal Settlements International Inc. (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 the provisions of an order (the **"Initial Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**").

B. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (in its capacity as monitor and not in its personal and corporate capacity, the "**Monitor**") during the CCAA proceedings (the "**CCAA Proceedings**").

C. Pursuant to the Plan and the Declaration of Trust, the Company agreed to hold certain assets and property of the Company, including the Policies, in trust for the Plan Beneficiaries;

D. On October 1, 2014, the Court issued an order (the "**SISP Approval Order**") approving a sale and solicitation process to be commenced one (1) Business Day after the issuance of the Plan Amendment Sanction Order (the "**SISP Commencement Date**"), on the terms and conditions set out ~~herein (~~therein. On November 19, 2014, the Court issued an order (the "**SISP Amendment Order**") approving an amended and restated sale and solicitation process to be commenced on the SISP Commencement Date, on the terms and conditions set out herein (as amended and restated, the "**SISP**") and the SISP procedures set forth herein describing, among other things, the Policies available for sale, the opportunity to invest in or refinance or finance the Policies, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Policies, the manner in which bidders and bids become

Qualified Bidders and Qualified Bids, the receipt and negotiation of Qualified Bids received, the ultimate selection of one or more successful bids, and the process for approval by the Court thereof (these "**SISP Procedures**").

E. The SISP Approval Order, the SISP Amendment Order, the SISP and these SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of all or substantially all of the Policies, an investment in the Policies or the refinancing or financing of the Policies.

F. Unless otherwise indicated herein, any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

1. The following capitalized terms shall have the following meanings when used in this SISP:

(a) "**Approval Motion**" shall mean the motion before the Court for an order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid;

(b) "**Bid Deadline**" shall have the meaning given to it in paragraph ~~21~~20;

(c) "**Business Day**" shall mean any day other than (a) a Saturday or Sunday, or (ii) a day which is a statutory holiday in Toronto, Ontario;

(d) "**CCAA**" shall have the meaning given to it in Recital A;

(e) "**CCAA Proceedings**" shall have the meaning given to it in Recital B;

(f) "**Company**" shall have the meaning given to it in Recital A;

(g) "**Confidentiality Agreement**" shall have the meaning given to it in paragraph ~~5~~4(c);

(h) "**Court**" shall have the meaning given to it in the Recital A;

(i) "**Data Room**" shall have the meaning given to it in paragraph ~~5~~4(d);

(j) "**Declaration of Trust**" means the declaration of trust by the Company dated as of July 17, 2009 pursuant to which the Company agreed to hold certain property of the Company, including the Policies, in trust for the Plan Beneficiaries in accordance with the Plan;

(k) "**Deposit**" shall have the meaning given to it in paragraph ~~22~~21(e);

(l) "**Escrow Period**" means in the case of a Successful Bid that is a Sale Proposal, the period between the closing of the Successful Bid and the full and complete release to the Company, as trustee for the Plan Beneficiaries, of the full purchase price proceeds or consideration paid by the Successful Bidder to the Company in escrow pursuant to the terms of the definitive purchase agreement relating to such Successful Bid;

(m) "**Form of APA**" means the form of purchase agreement to be provided to Phase II Qualified Bidders as part of the SISP, which is to be marked by Phase II Qualified Bidders to show proposed changes pursuant to paragraph ~~22~~21(e);

(n) "**Initial Order**" shall have the meaning given to it in Recital A;

(o) "**Investment Proposal**" shall have the meaning given to it in paragraph 7;

(p) "**LOI**" shall have the meaning given to it in paragraph ~~17~~16;

(q) "**LOI Deadline**" shall have the meaning given to it in paragraph ~~17~~16;

(r) "**Management Bid**" means a prospective bid involving a Prospective Bidder in respect of which one or more members of the USI Management Team is participating in any manner;

~~(s) "**Management Participation Notice**" shall have the meaning given to in paragraph 12(b);~~

(s) ~~(t)~~ "**Monitor**" shall have the meaning given to it in Recital B;

(t) ~~(u)~~ "**Monitored Account Agreement**" means the monitored account agreement dated as of July 17, 2009 between the Company and the Monitor, as it may be amended, supplemented or restated from time to time;

(u) ~~(v)~~ "**Monitored Trust Account**" means the Monitored Trust Account as defined in the Monitored Account Agreement;

(v) ~~(w)~~ "**Monitor's Website**" means the Monitor's website for the CCAA Proceedings located at www.ey.com/ca/universalsettlements;

(w) ~~(x)~~ "**Outside Date**" shall mean March ~~13,~~18, 2015 or such other date as the Monitor may agree from time to time;

(x) ~~(y)~~ "**Phase I Qualified Bidder**" shall have the meaning given to it in paragraph ~~13~~12;

(y) ~~(z)~~ "**Phase II Qualified Bidder**" shall have the meaning given to it in paragraph ~~20~~19;

(z) ~~(aa)~~ "**Plan**" means the amended plan of compromise and arrangement dated June 16, 2009;

(aa) ~~(bb)~~ "**Plan Amendment Sanction Order**" means the order of the Court ~~dated October 1, 2014~~ approving an amendment to the Plan, as it may be amended, restated or supplemented from time to time;

(bb) ~~(cc)~~ "**Plan Beneficiaries**" means the Purchasers (as defined in the Plan), Ordinary Creditors (as defined in the Plan) and any other parties receiving benefits under the Plan;

(cc) ~~(dd)~~ "**Policies**" means the life insurance policies held by the Company for the benefit of the Plan Beneficiaries, and all rights associated with such policies, including the right to death benefits thereunder, and for great certainty does not include any monies in the Monitored Trust Account;

(dd) ~~(ee)~~ "**Prospective Bidder**" shall have the meaning given to it in paragraph ~~11(a)~~10(a), but shall not include any one or more members of the USI

Management Team, and "**Prospective Bidders**" shall mean more than one of them;

(ee) ~~(ff)~~ "**Prospective Bidder Deadline**" shall have the meaning given to it in paragraph ~~12~~11;

(ff) ~~(gg)~~ "**Qualified Bid**" shall have the meaning given to it in paragraph ~~22,~~21, but shall not include a Management Bid, and "**Qualified Bids**" means more than one of them;

(gg) ~~(hh)~~ "**Qualified Bidder**" means a Phase I Qualified Bidder or a Phase II Qualified Bidder, but shall not include any one or more members of the USI Management Team, and "**Qualified Bidders**" means more than one of them;

(hh) ~~(ii)~~ "**Sale Proposal**" shall have the meaning given to it in paragraph ~~7~~6;

(ii) ~~(jj)~~ "**Selected Bidders**" shall have the meaning given to it in paragraph ~~29~~28(b);

(jj) ~~(kk)~~ "**Service List**" means the service list in the CCAA Proceedings as posted on the Monitor's Website, as it may be updated from time to time;

(kk) ~~(ll)~~ "**SISP**" shall have the meaning given to it in Recital D;

(ll) "**SISP Amendment Order**" shall have the meaning given to it in Recital D;

(mm) "**SISP Approval Order**" shall have the meaning given to it in Recital D;

(nn) "**SISP Commencement Date**" shall have the meaning given to it in Recital D;

(oo) "**SISP Procedures**" shall have the meaning given to it in Recital D;

(pp) "**Successful Bid**" shall have the meaning given to it in paragraph ~~29~~28(a);

(qq) "**Successful Bidder**" shall have the meaning given to it in paragraph ~~29~~28(a);

(rr) "**Teaser Letter**" shall have the meaning given to it in paragraph ~~11~~10(b); and

(ss) **USI Management Team**" means Jeff Panos, Chris Halas and Riaz Khan and any other employee of the Company from time to time designated by the Monitor, in its sole discretion, as being a member of the USI Management Team.

Conduct of the SISP

2. The SISP will be carried out by the Monitor. The Monitor is fully and exclusively authorized, empowered and directed to take any and all actions and steps, pursuant to the SISP and these SISP Procedures. If it is determined at any time by the Monitor that it may not be in the best interests of the Plan Beneficiaries to commence or continue with the SISP, the Monitor shall as soon as reasonably practicable file a motion with the Court seeking advice and directions with the respect to the commencement, modification, continuation or termination of the SISP, on notice to the Service List.

3. ~~Subject to paragraph 4 below, at~~At any time during the SISP, the Monitor may from time to time (a) consult with the Company or such other parties as the Monitor considers appropriate in respect of the conduct of the SISP, (b) retain such agents, consultants or brokers as it considers appropriate to assist it in the conduct of the SISP (and any references herein to the Monitor shall include any such agents, consultants or brokers), and/or (c) apply to the Court for advice and directions with respect to the discharge of any of its power and duties hereunder.

~~4. Notwithstanding any other provision in this SISP, if a Management Participation Notice is received by the Monitor, until such time as (a) a Management Bid that participates in the SISP is rejected by the Monitor and is no longer being considered by the Monitor in the SISP, (b) no LOI or Qualified Bid is submitted by the LOI Deadline or the Bid Deadline, as applicable, in respect of such Management Bid, or (c) the Management Participation Notice is irrevocably withdrawn by the Phase I Qualified Bidder or Phase II Qualified Bidder, (A) no member of the USI Management Team shall participate in any consultation with the Monitor with respect to any matters relating to this SISP, and (B) the Monitor will negotiate and execute any Confidentiality Agreement for and behalf of the Company with any Prospective Bidder. For greater certainty, these SISP Procedures apply to any Management Bid. For greater certainty, notwithstanding the foregoing, members of the USI Management Team shall continue to assist the Monitor with the~~

~~population of due diligence materials for the Data Room and with information requests arising during the SISP process, including clarifications on factual matters, and the restriction above shall not include any such assistance.~~

4. ~~5.~~ The Monitor's primary responsibilities will include:

(a) preparing a list of Prospective Bidders;

(b) drafting the Teaser Letter;

(c) assisting legal counsel with the preparation of the template form of confidentiality agreement to be executed by Prospective Bidders (the "**Confidentiality Agreement**"), and posting such Confidentiality Agreement on the Monitor's Website;

(d) establishing and managing the electronic data room for this SISP (the "**Data Room**");

(e) assisting legal counsel with the preparing the template Form of APA;

(f) managing all communications with Prospective Bidders and Qualified Bidders, prior to and after receipt of the LOIs and Qualified Bids. These communications include, without limitation, facilitating the delivery of all communications, contacting Prospective Bidders and providing them with the Teaser Letter, coordinating the execution of the Confidentiality Agreements by Prospective Bidders and managing the process of answering all inquiries from Prospective Bidders and Qualified Bidders;

(g) negotiating with Prospective Bidders and Qualified Bidders; and

(h) reviewing and considering the LOIs and Qualified Bids.

5. ~~6.~~ The Company shall assist the Monitor with the preparation of all of the materials listed above and with the population of due diligence materials for the Data Room and shall generally cooperate with the Monitor with respect to all actions necessary to achieve the objectives of this SISP which are to solicit offers for the sale of, or investment in, or the refinancing or financing of, the Policies which will be in the best interests of the Plan

Beneficiaries.

Sale, Investment and Financing Opportunities

6. ~~7.~~ Qualified Bidders will have the opportunity to submit a bid to purchase all or substantially all of the Policies (a "**Sale Proposal**") or for an investment in the Policies (an "**Investment Proposal**") or for a refinancing or financing of the Policies (a "**Financing Proposal**"). One or more Qualified Bids for less than substantially all of the Policies will not be precluded from consideration, either alone or in combination, as a Qualified Bid or Successful Bid. For greater certainty, a Management Bid shall not be a Qualified Bid.

"**As is, Where Is**"

7. ~~8.~~ Any Sale Proposal and Investment Proposal shall be made on an "as is, where is" basis, without surviving representations or warranties of any kind or nature except to the extent otherwise set forth in a definitive transaction documentation with a Successful Bidder.

8. ~~9.~~ The Monitor and the Company are not responsible for, and will have no liability with respect to, any information obtained by any Prospective Bidder, Qualified Bidder or Successful Bidder in connection with the Policies. The Monitor and the Company and their respective advisors do not make any representations or warranties whatsoever as to the information or the materials provided through the due diligence process or otherwise made available to any Prospective Bidder, Phase I Qualified Bidder, Phase II Qualified Bidder, Selected Bidder or the Successful Bidder, including any information contained in the Data Room, except, in the case of the Company, to the extent provided under any definitive transaction documentation executed and delivered by a Successful Bidder and the Company, as trustee of the Policies.

Free of Any and All Claims and Interests

9. ~~10.~~ In the event of a Sale Proposal for all or a portion of the Policies, all of the right, title and interests of the Company and the Plan Beneficiaries in and to the Policies to be acquired will be sold free and clear of all pledges, liens, security interests, charges, options, hypothecs, mortgages and interests thereon, except to the extent otherwise set forth in a definitive purchase agreement executed with a Successful Bidder.

Solicitation of Interest

10. ~~11.~~ As soon as practicable after the granting of the Plan Amendment Sanction Order, the Monitor will:

(a) compile a listing of prospective purchasers, investors and financiers (a "**Prospective Bidder**"), which list will include both strategic and financial parties who in the Monitor's reasonable business judgment may be interested in acquiring the Policies or making an investment in or providing refinancing or financing of the Policies; and

(b) send to each Prospective Bidder a solicitation letter summarizing the acquisition, investment and/or financing opportunity with respect to the Policies (the "**Teaser Letter**"). The Teaser Letter will attach a form of Confidentiality Agreement, which Confidentiality Agreement may also be found on the Monitor's Website. Such Confidentiality Agreement shall include provisions whereby the Prospective Bidder agrees to accept and be bound by the provisions of this SISP and the SISP Procedures contained herein. The Prospective Bidders will be required, among other things, to sign a Confidentiality Agreement in order to gain access to confidential information (including access to the Data Room), and an opportunity to meet with such parties as the Monitor may arrange, to perform due diligence.

(c) The Monitor reserves the right to limit any Qualified Bidder's access to any information in the Data Room where, in the Monitor's discretion, such access could negatively impact the SISP, the ability to maintain the confidentiality of the confidential information, or the value of the Policies. Requests for additional information will be made to the Monitor.

Participation Requirements

11. ~~12.~~ Unless otherwise provided for herein, ordered by the Court or agreed to by the Monitor, in order to participate in the SISP and be considered for qualification as a Phase 1 Qualified Bidder or Phase II Qualified Bidder, a Prospective Bidder must deliver the following to the Monitor so as to be received by the Monitor not later than 5:00 p.m.

(Toronto time) on Monday, ~~December 1, 2014~~January 26, 2015 or such later date or time as the Monitor may determine appropriate or as may be ordered by the Court (the "**Prospective Bidder Deadline**"):

(a) an executed Confidentiality Agreement, which shall inure to the benefit of any purchaser of or investor in any of the Policies;

~~(b) in the case of any Prospective Bidder in respect of which one or more members of the USI Management Team is participating in any manner, a written notice disclosing such participation by no later than the SISP Commencement Date (the "**Management Participation Notice**");~~

(b) ~~(c)~~ a specific indication of the anticipated sources of capital for such Prospective Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow the Monitor, to make, in its reasonable business or professional judgment, a reasonable determination as to the Prospective Bidder's financial and other capabilities to consummate a transaction;

(c) ~~(d)~~ a letter setting forth the identity of the Prospective Bidder, the contact information for such Prospective Bidder, and if requested by the Monitor, full disclosure of the direct and indirect owners of the Prospective Bidder and their principals;

(d) ~~(e)~~ an indication of whether the Prospective Bidder will be offering to (i) acquire all or substantially all of the Policies, or (ii) make an investment in the Policies; or (iii) to refinance or finance the Policies; and

(e) ~~(f)~~ a written acknowledgement of receipt of a copy of the SISP Approval Order, the SISP Amendment Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.

12. ~~13.~~ A Prospective Bidder will be considered by the Monitor to be a "**Phase I Qualified Bidder**" if (a) such Prospective Bidder has satisfied all of the requirements described in paragraph ~~12~~11 above; and (b) such Prospective Bidder's financial information and credit support or enhancement demonstrate to the satisfaction of the Monitor, in its reasonable

business judgment, the financial capability of such Prospective Bidder to consummate a transaction and that such Prospective Bidder is likely (based on availability of financing, experience and other considerations) to consummate either a Sale Proposal, Investment Proposal or Financing Proposal, as applicable.

13. ~~14.~~ The Monitor may seek clarifications with any Prospective Bidder with respect to any of the requirements described in paragraph ~~12~~11 above and such Prospective Bidder's financial capability to consummate a transaction, and the Monitor may grant extensions to the Prospective Bidder Deadline and shall comply with any extensions as may be ordered by the Court. The Monitor may waive compliance with any one or more of the requirements specified in paragraph ~~12~~11 and deem any Prospective Bidder to be a Phase I Qualified Bidder.

14. ~~15.~~ The determination by the Monitor as to whether a Prospective Bidder is a Phase I Qualified Bidder will be made as promptly as practicable but no later than two (2) Business Days after a Prospective Bidder delivers all of the materials required under paragraph ~~12~~11 hereof. If it is determined by the Monitor that a Prospective Bidder is a Phase I Qualified Bidder, the Monitor will promptly notify the Prospective Bidder that it is a Phase I Qualified Bidder.

15. ~~16.~~ If it is determined by the Monitor that there are no Phase I Qualified Bidders in accordance with this the terms of this SISP, and, that as a consequence proceeding with the SISP will not be in the best interests of the Plan Beneficiaries, the Monitor shall as soon as reasonably practicable file a motion with the Court on notice to the Service List seeking advice and directions with respect to the modification, continuation, suspension or termination of the SISP.

Submission of Non-Binding Letters of Intent

16. ~~17.~~ In order for a Phase 1 Qualified Bidder to continue to participate in the SISP, the Monitor must receive (at the address set out in the Teaser Letter) from such Phase 1 Qualified Bidder a non-binding letter of intent or, in the case of a Financing Proposal, a non-binding financing discussion paper or term sheet (a "**LOI**") on or before 5:00 p.m. Toronto Time on ~~Wednesday, December 10, 2014~~Monday, February 2, 2015 or such later date as the Monitor may determine appropriate or the Court may order (the "**LOI**

Deadline"), which LOI shall be in writing and include the following:

(a) if the LOI is in respect of a Sale Proposal or an Investment Proposal:

(i) a reasonably detailed listing and description of the Policies to be included in the Sale Proposal, and in the case of an Investment Proposal, a reasonably detailed description of the manner in which the investment is to be made;

(ii) an indication of the proposed purchase price or financial terms of such Sale Proposal or Investment Proposal;

(iii) an acknowledgment that the Sale Proposal or Investment Proposal, as applicable, will be made on an "as is, where is basis";

(iv) a description of any liabilities to be assumed by the Phase I Qualified Bidder;

(v) a list of any additional due diligence required to be completed before making a Qualified Bid;

(vi) any anticipated regulatory and other approvals required to close the proposed transaction and the anticipated time frame and any anticipated impediments for obtaining any such approvals;

(vii) all conditions to closing that the Phase I Qualified Bidder may wish to impose;

(viii) a timeline to closing, which is to occur on or before the Outside Date, with critical milestones;

(ix) any other terms and conditions which the Qualified Bidder believes are material to the transaction; and

(x) such other information reasonably requested by the Monitor.

(b) if the LOI is in respect of a Financing Proposal, the LOI may be in the form of a non-binding financing discussion paper or term sheet outlining the terms under which the Phase I Qualified Bidder would be prepared to refinance or finance the Policies. Such LOI would include the following:

(i) the amount of financing available;

(ii) the cost of such financing, including fees and interest;

(iii) the terms of repayment and term of the facility/facilities;

(iv) any conditions of financing, including details regarding further due diligence required;

(v) any approvals required to close the proposed transaction and the anticipated time frame and any anticipated impediments for obtaining any such approvals;

(vi) a timeline to closing, which is to occur on or before the Outside Date, with critical milestones;

(vii) any other terms and conditions which the Qualified Bidder believes are material to the proposed refinancing or financing; and

(viii) such other information reasonably requested by the Monitor.

17. ~~18.~~ In addition, in order to be considered by the Monitor, financial information reasonably requested by the Monitor to demonstrate that the Phase I Qualified Bidder has the financial resources to consummate the transaction contemplated by the LOI must be provided. If the Phase I Qualified Bidder intends to acquire the Policies or provide an investment through a special purpose vehicle, the equity holders or sponsors of such special purpose vehicle must guarantee the special purpose vehicle's obligations.

18. ~~19.~~ The Monitor will review and evaluate the LOIs based on, among other things, the ability of each Phase I Qualified Bidder to complete due diligence on a timely basis as well as other purchaser or investor selection criteria that may be developed by the Monitor. For greater certainty, the Monitor shall be entitled, either prior to or following the LOI Deadline, to seek to clarify the terms of an LOI received prior to the LOI Deadline. The Monitor may grant extensions to the LOI Deadline and shall comply with

any extensions thereof as may be ordered by the Court. The Monitor may waive compliance with any one or more of the requirements specified in paragraph ~~17~~16 and deem any non-compliant LOI to be a qualifying LOI.

Identification of Phase II Qualified Bidder(s)

19. ~~20.~~ The Monitor shall consider each ~~of the LOIs~~LOI upon its submission and determine whether it will be in the best interests of the Plan Beneficiaries to ~~continue with the SISP. Any Phase I Qualified Bidder(s) with whom the Monitor seeks to~~ pursue a transaction on the terms set out in the applicable LOI with such Phase I Qualified Bidder. Any Phase I Qualified Bidder with whom the Monitor seeks to pursue a transaction with on the terms set out in the applicable LOI shall be deemed to be a Phase II qualified bidder(s) (the "**Phase II Qualified Bidder**"). The determination by the Monitor as to whether a Phase I Qualified Bidder is a Phase II Qualified Bidder will be made as promptly as practicable after the delivery by the Phase I Qualified Bidder of an LOI, or any clarification that may be sought by the Monitor pursuant to paragraph 18. Phase I Qualified Bidders will be promptly advised by the Monitor if they have been selected as a Phase II Qualified Bidder, and will thereafter be provided an opportunity to access additional due diligence materials, complete due diligence and submit a binding Sale Proposal, Investment Proposal or Financing Proposal. ~~If~~No LOIs will be considered for qualification as a Phase II Qualified Bidder after the LOI Deadline. If at any point before the LOI Deadline the Monitor determines that it will not be in the best interests of the Plan Beneficiaries to continue with the SISP, the Monitor shall as soon as reasonably practicable file a motion to the Court on notice to the Service List for advice and directions with respect to the continuation, modification, suspension or termination of the SISP.

Submissions of Binding Qualified Bids

20. ~~21.~~ Under the bid procedure set out herein, all Qualified Bids for a Sale Proposal, Investment Proposal or Financing Proposal must be submitted in writing by a Phase II Qualified Bidder to the Monitor at the address set out in the Teaser Letter and received on or before 5:00 p.m. Toronto Time on ~~Friday, January 30,~~Tuesday, February 10, 2015 or such later date as the Monitor may determine appropriate or the Court may order (the "**Bid Deadline**").

Requirements for Qualified Bids

21. ~~22.~~ A Sale Proposal will be considered a "**Qualified Bid**" only if (i) it is submitted by a Phase II Qualified Bidder on or before the Bid Deadline, and (ii) the Sale Proposal complies with the following requirements:

(a) it fully discloses the identity of each person or entity that will be sponsoring or participating in the Qualified Bid, including, if requested by the Monitor, the identification of the Phase II Qualified Bidder's direct and indirect owners and their principals, and the complete terms of such participation;

(b) it contains evidence of authorization and approval from the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable, with respect to the submission, execution, delivery and closing of the sale transaction contemplated by the Qualified Bid;

(c) it includes in a letter that the bid is a binding offer capable of acceptance by the Company, as owner of the Policies and as trustee for the Plan Beneficiaries, irrevocable and open for acceptance until at least 11:59 p.m. Toronto Time on the Business Day after the closing of a Successful Bid;

(d) it includes a reasonably detailed listing and description of the Policies to be included in the Sale Proposal;

(e) it includes (A) a duly authorized and executed purchase agreement based on the Form of APA; (B) all exhibits and schedules thereto, and such ancillary agreements as may be required by the Phase II Qualified Bidder with all exhibits and schedules thereto, (C) a mark-up of the Form of APA showing amendments and modifications made thereto; and (D) a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the order of the Monitor, in trust (the "**Deposit**"), in an amount equal to fifteen percent (15%) of the purchase price contemplated therein;

(f) it includes an acknowledgement and representation that the Phase II Qualified

Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid, including the Policies, (ii) except as expressly stated in the definitive sale agreement, did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Policies or any liabilities to be assumed or the completeness of any information provided in connection therewith, including but not limited, to (A) the enforceability, validity or status of any of the Policies, (B) the nature and condition of Policies, (C) the nature, condition or health of any of the insureds, (D) the amount of the premiums payable or death benefits available with respect to or under any of the Policies, (E) the condition or status, financial or otherwise, or nature of the insurance company issuing any of the Policies, or (F) the accuracy or completeness of any actuarial valuation or stochastic analysis obtained by the Company in respect of the Policies; and (iii) is a knowledgeable, experienced and sophisticated purchaser with respect to life insurance policies and life settlement contracts, has been provided access to and has reviewed the Policies and is relying on its own expertise and that of its own consultants, accountants, actuaries and legal and tax advisors in making its Qualified Bid;

(g) it includes either written evidence of a firm, irrevocable commitment for all required funding and/or financing from a credit worthy bank or financial institution, or other evidence of financial ability to close the transaction, that will allow the Monitor to make a reasonable determination as the Phase II Qualified Bidder's (and its direct and indirect owners and their principals, as applicable) financial and other capabilities to consummate the sale transaction contemplated by the Qualified Bid;

(h) it includes whether the Phase II Qualified Bidder is able to provide any financing to the Company, as trustee of the Policies, during the Escrow Period (whether from the Deposit, any other escrowed purchase price funds and/or otherwise);

(i) if the Phase II Qualified Bidder is an entity newly formed for the purpose of the sale transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Monitor that names the Company as a third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;

(j) it shall not be conditional upon, among other things;

  (i) the outcome of unperformed due diligence by the Phase II Qualified Bidder; or

  (ii) obtaining any financing; or

  (iii) approval of the Qualified Bid by the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable;

and shall include an acknowledgement and representation that the Phase II Qualified Bidder had the opportunity to conduct any and all due diligence prior to making its Qualified Bid;

(k) it includes a detailed list of conditions to closing, including any anticipated regulatory and other approvals required to close the proposed transaction, and the anticipated time frame and any anticipated impediments for obtaining any such approvals;

(l) it provides a timeline to closing with critical milestones and provides for a closing of the proposed transaction by no later than the Outside Date;

(m) it is in the Monitor's reasonable business judgment reasonably likely to close on or before the Outside Date;

(n) it does not request or entitle the Phase II Qualified Bidder to any break-fee, termination fee, expense reimbursement or other type of compensation or payment; and

(o) it contains such other information reasonably requested by the Monitor.

<u>22.</u> ~~23.~~ An Investment Proposal will be considered a "**Qualified Bid**" only if (i) it is submitted by a Phase II Qualified Bidder on or before the Bid Deadline, and (ii) the Investment Proposal complies with the following requirements:

(a) it fully discloses the identity of each person or entity that will be sponsoring or participating in the Qualified Bid, including, if requested by the Monitor, the identification of the Phase II Qualified Bidder's direct and indirect owners and their principals, and the complete terms of such participation;

(b) it contains evidence of authorization and approval from the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable, with respect to the submission, execution, delivery and closing of the investment transaction contemplated by the Qualified Bid;

(c) it includes in a letter that the bid is a binding offer capable of acceptance by the Company, as owner of the Policies and as trustee for the Plan Beneficiaries, irrevocable and open for acceptance until at least 11:59 p.m. Toronto Time on the Business Day after the closing of a Successful Bid;

(d) it includes a reasonably detailed description of the manner in which the investment is to be made;

(e) it includes, (A) such duly authorized and executed documents as the Monitor may accept, including exhibits and schedules thereto, and (B) a Deposit in an amount equal to fifteen percent (15%) of the total proposed investment therein;

(f) it includes an acknowledgement and representation that the Phase II Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid, including the Policies, (ii) except as expressly stated in the definitive transaction documentation, did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Policies or any liabilities to be assumed or the completeness of any information provided in connection therewith, including but not limited, to (A) the enforceability, validity or status of any of the Policies, (B) the nature and condition of Policies, (C) the nature, condition or health of any of the insureds, (D) the amount of the premiums payable or death benefits available with respect to or under any of the Policies, (E) the condition or status, financial or otherwise, or nature of the insurance company issuing any of the Policies, or (F) the accuracy or completeness of any actuarial valuation or stochastic analysis obtained by the Company in respect of the Policies; and (iii) is a knowledgeable, experienced and sophisticated purchaser with respect to life insurance policies and life settlement contracts, has been provided access to and has reviewed the Policies and is relying on its own expertise and that of its own consultants, accountants, actuaries and legal and tax advisors in making its Qualified Bid;

(g) it includes either written evidence of a firm, irrevocable commitment for all required funding and/or financing from a credit worthy bank or financial institution, or other evidence of financial ability to close the investment transaction, that will allow the Monitor to make a reasonable determination as the Phase II Qualified Bidder's (and its direct and indirect owners and their principals, as applicable) financial and other capabilities to consummate the transaction contemplated by the Qualified Bid;

(h) it includes whether the Phase II Qualified Bidder is able to provide any financing to the Company, as trustee of the Policies, pending closing of the investment transaction contemplated by the Qualified Bid;

(i) if the Phase II Qualified Bidder is an entity newly formed for the purpose of the investment transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Monitor that names the Company as a third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;

(j) it shall not be conditional upon, among other things;

(i) the outcome of unperformed due diligence by the Phase II

Qualified Bidder; or

(ii) obtaining any financing; or

(iii) approval of the Qualified Bid by the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable,

and shall include an acknowledgement and representation that the Phase II Qualified Bidder had the opportunity to conduct any and all due diligence prior to making its Qualified Bid;

(k) it includes a detailed list of conditions to closing, including any anticipated regulatory and other approvals required to close the proposed transaction, and the anticipated time frame and any anticipated impediments for obtaining any such approvals;

(l) it provides a timeline to closing with critical milestones and provides for a closing of the proposed transaction by no later than the Outside Date;

(m) it is in the Monitor's reasonable business judgment reasonably likely to close on or before the Outside Date;

(n) it does not request or entitle the Phase II Qualified Bidder to any break-fee, termination fee, expense reimbursement or other type of compensation or payment; and

(o) it contains such other information reasonably requested by the Monitor.

23. ~~24.~~ A Financing Proposal will be considered a "**Qualified Bid**" only if (i) it is submitted by a Phase II Qualified Bidder on or before the Bid Deadline, and (ii) the Financing Proposal complies with the following requirements:

(a) it fully discloses the identity of each person or entity that will be sponsoring or participating in the Qualified Bid, including, if requested by the Monitor, the identification of the Phase II Qualified Bidder's direct and indirect owners and their principals, and the complete terms of such participation;

(b) it contains evidence of authorization and approval from the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable, with respect to the submission, execution, delivery and closing of the refinancing or financing contemplated by the Qualified Bid;

(c) it is in the form of a binding commitment letter or term sheet that is a binding offer capable of acceptance by the Company, as owner of the Policies and as trustee for the Plan Beneficiaries, irrevocable and open for acceptance until at least 11:59 p.m. Toronto Time on the Business Day after the closing of a Successful Bid;

(d) it includes the amount of the proposed refinancing or financing available;

(e) it includes the cost of the proposed refinancing or financing, including fees and interest;

(f) it includes the terms of repayment and term of the facility/facilities;

(g) it includes an acknowledgement and representation that the Phase II Qualified Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; including the Policies, (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Policies or any liabilities to be assumed or the completeness of any information provided in connection therewith, including but not limited, to (A) the enforceability, validity or status of any of the Policies, (B) the nature and condition of Policies, (C) the nature, condition or health of any of the insureds, (D) the amount of the premiums payable or death benefits available with respect to or under any of the Policies, (E) the condition or status, financial or otherwise, or nature of the insurance company issuing any of the Policies, or (F) the accuracy or completeness of any actuarial valuation or stochastic analysis obtained by the Company in respect of the Policies, except as expressly stated in the definitive transaction documentation;

and (iii) is a knowledgeable, experienced and sophisticated financier with respect to life insurance policies and life settlement contracts, has been provided access to and has reviewed the Policies and is relying on its own expertise and that of its own consultants, accountants, actuaries and legal and tax advisors in making its Qualified Bid;

(h) it includes either written evidence of a firm, irrevocable commitment for all required funding and/or financing from a credit worthy bank or financial institution, or other evidence of financial ability to close the transaction, that will allow the Monitor to make a reasonable determination as the Phase II Qualified Bidder's (and its direct and indirect owners and their principals, if applicable) financial and other capabilities to consummate the financing transaction contemplated by the Qualified Bid;

(i) if the Phase II Qualified Bidder is an entity newly formed for the purpose of the financing transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Monitor that names the Company as a third party beneficiary of any such commitment letter with recourse against such parent entity or sponsor;

(j) it shall not be conditional upon, among other things;

(i) the outcome of unperformed due diligence by the Phase II Qualified Bidder; or

(ii) obtaining any financing; or

(iii) approval of the Qualified Bid by the Phase II Qualified Bidder's board of directors, investment committee, credit committee or comparable governing body, as applicable,

and shall include an acknowledgement and representation that the Phase II Qualified Bidder had the opportunity to conduct any and all due diligence prior to making its Qualified Bid;

(k) it includes a detailed list of conditions to closing, including any anticipated regulatory and other approvals required to close the proposed transaction, and the anticipated time frame and any anticipated impediments for obtaining any such approvals;

(l) it provides a timeline to closing with critical milestones and provides for a closing of the proposed transaction by no later than the Outside Date;

(m) it is in the Monitor's reasonable business judgment reasonably likely to close on or before the Outside Date;

(n) it does not request or entitle the Phase II Qualified Bidder to any break-fee, termination fee, expense reimbursement or other type of compensation or payment, other than a commitment fee, standby facility fees and other normal course financing fees, consistent with industry standard; and

(o) it contains such other information reasonably requested by the Monitor.

24. ~~25.~~ Each Qualified Bid will be considered by the Monitor. The Monitor may seek clarifications to any Qualified Bids following the Bid Deadline, and the Monitor may grant extensions to the Bid Deadline set out herein and shall comply with any extensions thereof as may be ordered by the Court. The Monitor may (i) waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be a Qualified Bid, and (ii) aggregate separate bids to create one "Successful Bid" from more than one Phase II Qualified Bidder.

Assessment of Qualified Bids

25. ~~26.~~ In assessing Qualified Bids in respect of a Sale Proposal, the Monitor will consider, among other things, the following:

(a) the purchase price and net value (including all assumed liabilities and other obligations to be performed by the Phase II Qualified Bidder) provided by such Qualified Bid;

(b) the provision and terms and conditions of any financing to be provided by the Phase II Qualified Bidder to the Company, as trustee of the Policies, during the Escrow Period;

(c) the firm, irrevocable commitment for financing the transaction or other evidence of ability to consummate the proposed sale transaction;

(d) the claims likely to be created by such Qualified Bid in relation to other Qualified Bids;

(e) the counterparties to the proposed sale transaction;

(f) the proposed revisions to the Form of APA and the terms of the proposed sale transaction documents;

(g) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals and other conditions required to close the proposed sale transaction by the Outside Date);

(h) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single sale transaction for all or substantially all of the Policies;

(i) the conditions to closing of the proposed sale transaction;

(j) any transition services required from the Company post-closing and any related restructuring costs; and

(k) the likelihood and timing of the consummation of the proposed sale transaction and whether, in the Monitor's reasonable business judgment, the proposed sale transaction is reasonably likely to close on or before the Outside Date.

26. ~~27.~~ In assessing Qualified Bids in respect of an Investment Proposal, the Monitor will consider, among other things, the following:

(a) the amount of equity and debt investment and the proposed sources and uses of such capital;

(b) in the provision and terms and conditions of any financing to be provided by the Phase II Qualified Bidder to the Company, as trustee of the Policies, during the Escrow Period;

(c) the debt to equity structure post-closing;

(d) the counterparties to the proposed investment transaction;

(e) the terms of the proposed investment transaction documents;

(f) other factors affecting the speed, certainty and value of the proposed investment transaction (including any regulatory approvals and other conditions required to close the proposed investment transaction);

(g) the planned treatment of the Plan Beneficiaries; and

(h) the likelihood and timing of the consummation of the proposed investment transaction and whether, in the Monitor's reasonable business judgment, the proposed investment transaction is reasonably likely to close on or before the Outside Date.

27. ~~28.~~ In assessing Qualified Bids in respect of a Financing Proposal, the Monitor will consider, among other things, the following:

(a) the amount of financing available;

(b) the cost of such financing, including fees and interest;

(c) the terms of repayment and term of the facility/facilities;

(d) any conditions of financing;

(e) the ability of such proposed refinancing or financing to facilitate a distribution to the Plan Beneficiaries; and

(f) other factors affecting the speed, certainty and value of the proposed financing transaction (including any regulatory approvals and other conditions required to close the proposed financing transaction); and

(g) the likelihood and timing of the consummation of the proposed financing transaction and whether, in the Monitor's reasonable business judgment, the proposed financing transaction is reasonably likely to close on or before the

Outside Date.

<ins>28.</ins> ~~29.~~ If one or more Qualified Bids are received in accordance with the bid procedure set out herein, the Monitor may choose to:

(a) accept one Qualified Bid (the "**Successful Bid**" and the Phase II Qualified Bidder making the Successful Bid being the "**Successful Bidder**") and take such steps as are necessary to finalize and complete an agreement for the Successful Bid with the Successful Bidder. For greater certainty, the Monitor may accept more than one separate bid from more than one Phase II Qualified Bidder to create one "Successful Bid" and in such case, the Phase II Qualified Bidders will become the "Successful Bidders"; or

(b) continue negotiations with a selected number of Phase II Qualified Bidders (collectively, the "**Selected Bidders**") with a view to finalizing an agreement with one or more of the Selected Bidders, with one or more of such Selected Bidders being the Successful Bidder(s).

<ins>29.</ins> ~~30.~~ The Monitor may (a) reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the CCAA, these SISP Procedures or any orders of the Court applicable to the Company, or (iii) contrary to the best interests of the Plan Beneficiaries as determined by the Monitor; (b) in accordance with the terms hereof accept bids not in conformity with these SISP Procedures to the extent that the Monitor determines, in its reasonable business judgment that doing so would benefit the Plan Beneficiaries; and (c) in accordance with the terms hereof extend the Prospective Bidder Deadline, LOI Deadline and Bid Deadline; and (d) reject all bids. For greater certainty, the Monitor shall be under no obligation to accept the highest or best offer and the selection of the Successful Bid and/or the Selected Bidders shall be entirely in the discretion of the Monitor.

<ins>30.</ins> ~~31.~~ If the Monitor determines that no Qualified Bid was received or rejects all Qualified Bids because it is not in the best interests of the Plan Beneficiaries, the Monitor shall as soon as reasonably practicable file a motion with the Court to seek advice and directions with respect to the continuation, modification or termination of the SISP.

Approval Motion

31. ~~32.~~ After a definitive agreement(s) in respect of the Successful Bid have been finalized in accordance with these SISP Procedures, the Monitor will apply to the Court as soon as reasonably practicable for the Approval Motion.

32. ~~33.~~ The Approval Motion will be held on a date to be scheduled by the Court that will be on at least fourteen (14) days' notice to the Service List and the Company's creditors in the CCAA Proceedings in accordance with the SISP Approval Order and the SISP Amendment Order. The Approval Motion may be adjourned or rescheduled by the Monitor by an announcement of the adjourned date at the Approval Motion or by notice to the Service List maintained by the Monitor in these CCAA Proceedings and no further notice shall be required.

33. ~~34.~~ All Qualified Bids (other than the Successful Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.

34. ~~35.~~ For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.

Deposit

35. ~~36.~~ All Deposits will be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved by the Court will be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction or as otherwise set out in the definitive agreement and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder will be return to such bidders within ten (10) Business Days of the date on which the Successful Bid is approved by the Court. If there is no Successful Bid, subject to the following paragraph ~~37.~~36., all Deposits (plus applicable interest) will be returned to the Qualified Bidders within ten (10) Business Days of the date on which the SISP is terminated in accordance with this SISP.

36. ~~37.~~ If a Successful Bidder breaches any of its obligations under the terms of the SISP or

any definitive transaction documentation, its Deposit will be forfeited as liquidated damages and not as a penalty.

Reservation of Rights and Monitor's Conduct of the SISP

37. ~~38.~~ This SISP and these SISP Procedures do not, and will not be interpreted to, create any contractual or other legal relationship between the Company or the Monitor or between any of them and any bidder, other than as specifically set forth in a definitive agreement that any such bidder may enter into with the Company, as owner and as trustee of the Policies.

38. ~~39.~~ The Monitor may from time to time extend any of the time limits set out in these SISP Procedures, as the Monitor determines appropriate.

39. ~~40.~~ In conducting the SISP, the Monitor is not, and shall not be or be deemed to be, a director, officer or employee of the Company and the Monitor shall not incur any liability or obligation as a result of its conduct of the SISP, including any solicitations, advertising, marketing, negotiation or completion of a transaction pursuant to the SISP on behalf of USI (if so directed by the Court), the exercise or performance of the Monitor's powers and duties hereunder, save and except as may result from gross negligence or wilful misconduct of the Monitor.

No Amendment

40. ~~41.~~ There will be no amendments to the SISP or these SISP Procedures without the approval of the Court on notice to the Service List, subject to such non-material amendments as may be agreed to by the Monitor and the Company. The Monitor and any other person may seek advice and directions from the Court on notice to the Service List with respect to the conduct of the SISP.

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.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

TWENTY-FIRST REPORT
OF THE MONITOR

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