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

FOURTH REPORT OF THE MONITOR
(Dated January 20, 2009)

January 20, 2009

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Katherine McEachern LSUC#38345M
Tel: 416-863-2566
Fax: 416-863-2653

Lawyers for the Monitor,
Ernst & Young Inc.

TO: SERVICE LIST ATTACHED

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SERVICE LIST

TO: **OGILVY RENAULT LLP**
Royal Bank Plaza, South Tower
3800 – 200 Bay Street
Toronto, ON M5J 2Z4

William McNamara
Tel: (416) 216-3906
Fax: (416) 216-3930
Email: wmcnamara@ogilvyrenault.com

Allison Kuntz
Tel: (416) 216-4784
Fax: (416) 216-3930
Email: akuntz@ogilvyrenault.com

Lawyers for the Applicant

AND TO: **BLAKE, CASSELS & GRAYDON LLP**
199 Bay Street
Suite 2800, Commerce Court West
Toronto, ON M5L 1A9

Susan M. Grundy
Tel: (416) 863-2572
Fax: (416) 863-2653
Email: Sue.Grundy@blakes.com

Katherine McEachern
Tel: (416)863-2566
Fax: (416) 863-2653
Email: Katherine.McEachern@blakes.com

Lawyers for the Monitor, Ernst & Young Inc.

AND TO: **ERNST & YOUNG INC.**
Ernst & Young Tower, Suite 1600
222 Bay Street, PO Box 251
Toronto, ON M5K 1J7

Brian M. Denega
Tel: (416) 943-3058
Fax: (416) 943-3300
Email: Brian.M.Denega@ca.ey.com

Rahn Dodick
Tel: (416) 943-3034
Fax: (416) 943-3300
Email: Rahn.Dodick@ca.ey.com

Court-appointed Monitor

AND TO: **ORMSTON LIST FRAWLEY LLP**
40 University Avenue
Suite 720
Toronto, ON M5J 1T1

John P. Ormston, Esq.
Tel: (416) 594-0791
Fax: (416) 594-9690
Email: jormston@olflaw.com

Lawyers for Gilbert Pereira, Rino Bilfolchi and CAJUBI
(Caja Paraguaya de Jubilaciones y Pensiones)

AND TO: **KEENAN STONE LAW CENTRE PC**
Attorneys and Counselors at Law
207 Lake Street, Suite 2
Hamburg, New York 14075
U.S.A.

John J. Keenan
Tel: (716) 646-9400
Fax: (716) 646-9420

Email: jkeenan@keestonelaw.com

KEENAN AND STONE
7941 Jane Street, Suite 200
Concord, ON L4K 4L6
CANADA

John J. Keenan
Tel: (416) 619-1359

Lawyers for National Viaticals Inc.

AND TO: **RUDERMAN, SHAW**
Barristers & Solicitors
Suite 1820, P.O. Box 2037
20 Eglinton Avenue West
Toronto, ON M4R 1K8

F.H. Hugh Shaw
Tel: (416) 484-8558
Fax: (416) 484-6918
Email: info@rudermanshaw.com

Lawyers for the Respondents, Ramon Credi Cheja, Helen Marquard de Peterson, Nancy E. Lira-Hereford, Pedro M. Olavarri, Russel E. Kennedy, Ana M. Magaloni De Bustamante, Jose Manuel Rincon Gallardo, Lucia B. Ruiz De Olavarri, Mariagrazia Savini and Esteban Gonzalez Vergara

AND TO: **BENNETT JONES LLP**
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, ON M5X 1A4

Darcy Legros
Tel: (416) 777-6258
Fax: (416) 863-1716
Email: legrosd@bennettjones.com

Lawyers for Tom Mitchell and Daphne Mitchell

AND TO: **WHITE, DUNCAN, LINTON LLP**
Barristers & Solicitors
P.O. Box 457
45 Erb Street East
Waterloo, ON N2J 4B5

Irwin A. Duncan
Tel: (519) 886-3340
Fax: (519) 886-8651
Email: iad@kwlaw.net

Lawyers for Boyd Rees, Judy Rees
and Ted Buczek

AND TO: **SCHEEF & STONE, L.L.P.**
500 N. Akard Street, Suite 2700
Dallas, Texas 75201
U.S.A.

William J. Garrison
Tel: (214) 706-4200
Fax: (214) 706-4242
Email: bgarrison@scheefandstone.com

Agents for Priority Pharmacy, Inc.

AND TO: **BANK AUSTRIA CREDITANSTALT VERSICHERUNGSDIENST GmbH**
ReichsratsstraBe 17
1010 Vienna
AUSTRIA

Mario Sandhu
Tel: +43 (0)50505/42330
Fax: +43 (0)50505/42393
Email: Sandhu@ba-cavd.at

AND TO: **DR. KARL HAFELE**
Via Principale 43
I-39021 Laces
(Prov. Bolzano) ITALY
Tel: 0043-664-8314890
Email: karl.hafele@rhombergbau.at

AND TO: **McMILLAN LLP**
Brookfield Place
181 Bay Street, Suite 4400
Toronto, Ontario M5J 2T3

Wael M. Rostom
Tel: (416) 865-7790
Fax: (416) 865-7048

Email: wael.rostom@mcmillan.ca

John Archibald
Tel: (416) 865-7076
Fax: (416) 865-7048
Email: john.archibald@mcmillan.ca

Lawyers for Promont AG

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FOURTH REPORT OF THE MONITOR
January 20, 2009

INTRODUCTION

1. On December 2, 2008, Universal Settlements International Inc. ("**USI**", the "Company" or the "**Applicant**") 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 Honourable Court (the "**Initial Order**"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "**Monitor**") of the Applicant during these CCAA proceedings ("**CCAA Proceedings**").

2. On December 17, 2008, the Monitor filed its first report with this Honourable Court (the "**First Report**"), which provided this Honourable Court with information concerning USI's liquidity issues, activities of the Monitor since its appointment, the Applicant's cash management system, the Applicant's actual cash flow results for the period from the date of the Initial Order to December 12, 2008, the Applicant's updated cash flow forecast to February 28, 2009, and the Monitor's analysis and recommendations concerning USI's request for an extension of the stay of proceedings established by the Initial Order (the "**Stay Period**").

3. On December 22, 2008, the Monitor filed its second report with this Honourable Court (the "**Second Report**"), which provided the Monitor's observations on the Applicant's

proposed sale of certain corporately owned policies that USI purchased out of the receivership of Trade Partners, Inc. to SDM Holdings, LLC.

4. On January 8, 2009, the Monitor filed its third report with this Honourable Court (the "**Third Report**"), which provided this Honourable Court with information concerning the sale of the TPI AIDS Portfolio, certain policies surrendered to insurers for cash, the Applicant's cash management system, the Applicant's excess premium reserve funds, the Applicant's ongoing effort to verify policy coverages, the Applicant's actual cash flow results for the period from December 13 to 31, 2008, the Applicant's updated cash flow forecast to March 7, 2009, and the Applicant's activities and intended course of action with respect to implementing a claims process and developing a proposed Plan of Arrangement.

5. The purpose of this fourth report (the "**Fourth Report**") is to provide this Honourable Court with:

   i) further explanation and clarification of changes in the premium reserve and escrow bank accounts administered by Mills, Potoczak & Company ("**Mills**"), USI's policy administrator and Trustee in Ohio, USA, USI's lawyers, Ogilvy Renault LLP ("**Ogilvy**") and USI, that were described in paragraphs 19 and 20 of the Third Report;

   ii) the results of Mills' further review of the premium reserves contained in the USI Premium Reserve Account and Mills' updated view as to the Revised Additional Funds (as hereinafter defined) available for release from the USI Premium Reserve account to USI for corporate use; and

   iii) information regarding the Applicant's proposed claims process.

TERMS OF REFERENCE

6. In preparing this Report, the Monitor has relied upon unaudited financial information, the Applicant's books and records, financial information prepared by the Applicant and Mills, and discussions with the management, legal counsel and advisors of USI. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or

other form of assurance on the information contained in this Report. An examination of the financial forecast or any other future-oriented financial information as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved will vary from this information and the variations may be material.

7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. For ease of reference, the Monitor has provided certain Canadian dollar equivalents throughout this Report, using the C$1.176/US$1.00 exchange rate utilized in the Applicant's most recent cash flow forecast.

8. Capitalized terms not defined in this Report are as defined in the Applicant's Initial Application, the Initial Order, the First, Second and Third Reports and the proposed Claims Procedure Order.

PREMIUM RESERVE ACCOUNT

9. The First Report described USI's cash management system and certain transfers of cash held by Mills to Ogilvy, to be held in escrow pending further direction from this Honourable Court.

10. The Third Report provided further information relating to the transactions in the accounts administered by Mills, Ogilvy and USI in the period from December 2, 2008 to January 2, 2009.

11. This Fourth Report provides further explanation and clarification of transactions in the premium reserve, and escrow bank accounts administered by Mills, Ogilvy and USI which are described in paragraphs 19 and 20 of the Third Report. In addition, this Fourth Report reports on the account balances as at January 8, 2009.

12. Enclosed as **Appendix "A"** is a detailed reconciliation prepared from information provided by the Applicant and Mills, of the premium reserve and escrow bank accounts administered by Mills, Ogilvy and USI in the period from December 2, 2008 to January 8, 2009.

CLARIFICATION OF ISSUES ARISING AT JANUARY 9, 2009 HEARING

Clarification of change between balances in Ogilvy and USI Premium Reserve Accounts in paragraph 19 of the Monitor's Third Report:

13. At the January 9, 2008 hearing, this Honourable Court requested further information to clarify the difference in paragraph 19 of the Third Report between the balance in the Ogilvy Premium Reserve account of US$3,940,919 at December 2, 2008 and the balance in the USI Premium Reserve Account of US$3,981,485 at January 2, 2009 (i.e. the reason for the increase of US$40,566 in the premium reserves over the period).

14. The difference exists for three reasons:

    i) Pursuant to the Initial Order, US$778,841 was transferred from the Ogilvy Escrow account to the USI Corporate Account. The balance of US$148,913 held by Ogilvy was transferred by Ogilvy to the USI Premium Reserve Account, along with the full amount of the Ogilvy Premium Reserve Amount;

    ii) On December 23, 2008, US$108,287 was transferred from the USI Premium Reserve Account to the Mills Premium Reserve Account to fund premiums with reserves; and

    iii) Bank charges in the amount of US$60 relating to the wire transfers were incurred.

    The following table summarizes the USI Premium Reserve Account as at January 2, 2009:

Description	Date	Amount ($US)
Ogilvy Premium Reserve Amount	December 2, 2008	3,940,919
Excess Ogilvy Escrow amount	December 22, 2008	148,913
Funding of premiums with reserves	December 23, 2008	(108,287)
Bank charges		(60)
USI Premium Reserve Account	January 2, 2009	3,981,485

Clarification of the difference between Premium Reserve Amounts indicated in paragraphs 19 and 24 of the Monitor's Third Report:

15. This Honourable Court also requested information to explain the difference between the amounts of US$3,484,739 and US$3,981,485 reported in the USI Premium Reserve

Account as described in paragraph 24 and 19 of the Third Report respectively. The following is a reconciliation of these two amounts:

Description	Dates	Amount ($US)
USI Premium Reserve Account balance	January 2, 2009	3,981,485
Transfer to USI Corporate Accounts	January 5, 2009	(605,033)
Premium payments funded to MPC	December 23, 2008	108,287
USI Premium Reserve Account "adjusted"	January 2, 2009	3,484,739

16. To analyse the amount of reserved funds not required to fund premiums as at January 2, 2009, USI and Mills adjusted the actual January 2 account balance (of US$3,981,485) to reflect the anticipated transfer of additional funds totalling US$605,033 to the USI Corporate Accounts as approved by this Honourable Court on December 18, 2008. In addition, they added back the US$108,287 that had been transferred out of the USI Premium Reserve Account on December 23, 2008 to fund Allocated Premiums to be paid by Mills on USI's behalf. These premium payments had not yet been reflected in Mills' January 2, 2009 assessment of required premium reserves and therefore to be consistent the payments were not reflected in the adjusted cash balance of US$3,484,739.

Clarification of the amount that the Applicant is requesting approved to transfer from the USI Premium Reserve Account:

17. As described in the First and Third Reports, Mills has continued to review the details of the funds that were transferred to the USI Premium Reserve Account to confirm the balance in the account that is not required to fund premium reserves.

18. As described in the Third Report, on January 7, 2009 Mills in its capacity as trustee and administrator provided a further reconciliation of the funds transferred to the USI Premium Reserve Account and a letter confirming that US$300,000 could be released to USI's corporate account for corporate use. A copy of the letter dated January 7, 2009 is attached hereto as **Appendix "B" (the "Mills Reconciliation")**. Based upon the Mills Reconciliation, on January 9, 2009, USI sought an order authorizing the release of a further US$300,000 (Cdn $353,000) (the "**Additional Funds**") from the USI Premium Reserve Account. As a result of questions raised at the hearing, USI requested from Mills additional explanation and clarification with regards to the release

of the Additional Funds. The issue of the release of further funds was adjourned pending this clarification.

19. The Monitor and USI requested that Mills carry out a detailed policy by policy review of the premium reserves contained in the USI Premium Reserve Account. As a result of this further detailed review, Mills has made an adjustment to its reconciliation reducing the Additional Funds amount by US$89,265 to US$210,735 ("**Revised Additional Funds**") and provided USI with an updated letter and reconciliation dated January 15, 2009 which, after having been redacted for confidential information, are attached hereto as **Appendix "C"**. While the Monitor has not conducted its own review of Mills' financial records, the Applicant advises that it is in agreement with Mills' analysis and conclusions.

20. Enclosed as **Appendix "D"** is a detailed reconciliation prepared from information provided by Mills and the Applicant of the Additional Funds amount of US$300,000 to the Revised Additional Funds amount of US$205,735 (after a further reduction by US$5,000 for a float described below).

21. While the USI and Mills Premium Reserve Accounts earn interest they are also charged banking and transaction fees. In order that banking and transaction fees over and above interest earned do not encroach upon premium reserves in the premium reserve accounts in the future, Mills and USI have agreed that a float of $2,500 will be retained in each account. In addition, Mills will invoice USI separately for bank and transaction charges it incurs. These invoices will be paid from the USI corporate account. As well, all banking and transaction fees charged to the USI Premium Reserve Account will be reimbursed from the USI corporate account. Since the filing, there has been sufficient surplus in the Premium Reserve Account to absorb banking and transaction fees and they have not encroached on premium reserves.

CLAIMS PROCESS

General

22. The Applicant is seeking approval of a claims procedure whereby the Applicant will call for and acknowledge claims of its creditors (“**Claims Procedure**”). These claims will then be determined for voting and distribution purposes under a Plan.

23. While the Applicant has not yet filed a Plan with the Court, the Applicant believes, and the Monitor agrees, that the establishment and commencement of a claims process for creditors will expedite the Applicant's restructuring process and result in the benefits set out below:

    i) In order to expedite the CCAA process, the Applicant wishes to proceed with a claims process for its creditors in parallel with its further development of a Plan;

    ii) The time between the filing of a Plan and the holding of a vote on the Plan may well be quite short and would not allow sufficient time for a claims process and resolution of disputes if the claims process were commenced at a later date;

    iii) A claims process will be inevitable. Some creditors have also expressed the wish that a claims process be put in place sooner rather than later;

    iv) Proceeding with the claims procedure now will provide useful information to the Applicant in the development of the Plan and provide essential time for the majority of the claims to be adjudicated in advance of the Plan being voted on by the creditors; and

    v) The Applicant has limited cash available to it and cannot afford a lengthy and costly restructuring process.

Information with respect to the Applicant's Creditors

24. The purpose of the proposed claims process is to establish claims against the Applicant and its current and former directors as at the date of the proposed Claims Procedure Order (the “**Valuation Date**”).

25. To date, most of the Known Creditor claims consist of claims from Purchasers. According to the Applicant's records:

i) there exists 3,535 Purchasers who purchased 6,184 interests in Life Settlements ("**Investments**") for $133.2 million;

ii) the Investments relate to 142 life insurance policies ("**Policies**");

iii) the Purchasers' Investments in the Policies had aggregate face values upon maturity of $201.6 million; and

iv) the Purchasers had made their Investments between November 1999 and November 2008.

26. The following table identifies the countries in which Purchasers are resident. The 158 Purchasers in the eight Pillo Trust and M-Series policies are not included in this table (as the Applicant maintains separate records for them), but over 90% are residents of either: Austria, Canada or Switzerland.

Purchasers' Country of Residence	Investments at Maturity		Investments		Languages Spoken
	Face Value ($US)	% of total	Number	% of total	
Austria	$81,354,536	44.26%	3,415	56.67%	German
Germany	$23,953,097	13.03%	942	15.63%	German
Canada	$17,612,856	9.58%	662	10.99%	English/French
Switzerland	$17,097,091	9.30%	336	5.58%	English/German/French/Italian
Paraguay	$15,002,898	8.16%	9	0.15%	Spanish
Argentina	$6,648,238	3.62%	251	4.17%	Spanish
Taiwan	$5,732,407	3.12%	148	2.46%	Mandarin/Taiwanese
Japan	$2,758,300	1.50%	6	0.10%	Japanese
Liechtenstein	$2,372,000	1.29%	7	0.12%	German
Chile	$1,701,825	0.93%	37	0.61%	Spanish
United States	$1,495,912	0.81%	41	0.68%	English
Italy	$1,370,113	0.75%	29	0.48%	Italian
Guatemala	$1,004,523	0.55%	29	0.48%	Spanish
Mexico	$945,324	0.51%	38	0.63%	Spanish
Other Europe	$2,157,195	1.17%	37	0.61%	Various
Other South America	$818,728	0.45%	22	0.37%	Various
Other	$1,798,184	0.98%	17	0.28%	Various
	$183,823,227	100%	6,026	100%	

* The above analysis excludes 8 policies under the Pillo Trust and M-Series representing 158 investors.

27. The Applicant's records indicate that at the Filing Date it had outstanding a related party loan payable totalling approximately $1.3 million, for which it anticipates a Proof of Claim to be filed.

28. According to the Applicant, it expects to also receive claims from litigation claimants. However, the Applicant is unable to estimate the quantum of these claims at this time since they are contingent upon the results of ongoing litigation and are unliquidated.

29. The Claims Process is also intended to take account of any claims relating to the termination or repudiation of contracts under these CCAA proceedings. The Monitor is advised by the Applicant that it anticipates receiving few, if any, claims relating to termination or repudiation of contracts.

Notices to Creditors

30. The Claims Procedure provides that the Monitor will review the books and records of the Applicant and prepare a claims schedule which will set out contact information for each Known Creditor together with, where possible, the Applicant's information relating to that Claim. Where it is possible for the Monitor to do so, based on the Applicant's information in its possession, the Monitor will provide the following Purchaser Information relating to a Purchaser's Claim in an Acknowledgement of Claim:

    i) Purchaser's contact information;

    ii) Date of Purchase/Investment;

    iii) Amount of Purchase/Investment;

    iv) Anticipated Amount of Return/Maturity Amount/Face Value (including original purchase/investment); and

    v) Anticipated Date for Return of Purchase/Investment.

31. Purchasers who agree with this information need not take any further steps in order for that information to be acknowledged and accepted by the Applicant and the Monitor for purposes of the Claims Procedure.

32. With regards to Purchasers of Investments:

    i) This "acknowledged claims process" has been deemed most appropriate for purposes of identifying Claims of Purchasers in the circumstances of USI, given the very large number of Purchasers, their global distribution, and the fact that most of them are individuals. If Purchasers agree with the information contained in the Acknowledgement of Claim, they are spared the necessity of preparing a Proof of Claim. If a Purchaser disagrees with the information contained on the Acknowledgement of Claim, they may provide any correcting information or dispute to the Monitor by way of a Request for Amendment.

ii) The Acknowledgments of Claim will confirm certain basic information necessary to determine the Purchaser's claim arising from the purchase of a Life Settlement. Any determination of the nature, value or priority of the claim of a Purchaser will not be determined by the Acknowledgements of Claim, but will be dealt with subsequently through the anticipated Plan of Arrangement or otherwise.

iii) If a Purchaser has a claim against the Applicant in addition to and independent of the information contained in an Acknowledgement of Claim, he or she must file a separate Proof of Claim by the Claims Bar Date, which is proposed to be February 23, 2009.

iv) A number of Purchasers acquired their investments through agents or other intermediaries. These agents and intermediaries who are known to the Applicant will also be provided with claims packages for purposes of (a) communicating with their respective Purchasers and (b) filing their own Claims, if any.

33. The Claims procedure provides that the Monitor shall notify Creditors as follows:

i) the Monitor shall send a Claim Document Package to all Known Creditors and to each Agent, which will include an Instruction Letter and either an Acknowledgement of Claim or a Proof of Claim, by ordinary mail no later than five (5) days following the making of the Claims Procedure Order;

ii) as soon as reasonably possible upon receiving a request from a Creditor (provided such request is made prior to the Claims Bar Date), the Monitor shall send such Creditor a Claim Document Package by ordinary mail, courier, facsimile or electronic mail; and

iii) the Monitor shall cause the Notice to Creditors to be published in various newspapers in Canada, the United States, Austria, Germany and certain countries in South America, whenever possible in the spoken language of that country, no later than ten (10) days following the making of the Claims Procedure Order.

34. The Claims Procedure Order, the Notice to Creditors, Instruction Letter, the Acknowledgement of Claim, the Proof of Claim, the Notice of Revision or Disallowance, and the Dispute Notice will be available in each of English, German and Spanish. In the case of an inconsistency between the meaning of the English version, on the one hand, and the German or Spanish versions, on the other hand, the English version will prevail. The German and Spanish versions of such documents may be separate documents, or any such documents may be bilingual or trilingual. The Claims Procedure Order gives the Monitor the discretion to provide to any Person a German or Spanish version of any of such documents, and of any letters, notices or other documents given by the Monitor. The Monitor intends to utilise the services of a third party translation service to prepare the German and Spanish versions of any documents.

35. The following table outlines the steps and the proposed timeline included in the Claims Procedure Order:

Steps	Timeline
Court approval of proposed Claims Procedure Order ("Valuation Date")	January 23, 2009
Send a Claim Document Package to all Known Creditors and all Agents, no later than five (5) days following the making of the proposed Claims Procedure Order	January 28, 2009
Publish the Notice to Creditors in various newspapers in Canada, the United States, Austria, Germany, and certain countries in South America	February 2, 2009
Claims Bar Date	February 23,2009
Notice of Revision or Disallowance Deadline	None
Notice of Dispute Deadline	Not later than 4:00 p.m. (EST/DST) on the day that is fourteen (14) days after the Monitor sends the Notice of Revision or Disallowance

Claims Bar Date

36. The Claims Procedure provides that the Claims Bar Date for all Claims will be 4:00 p.m. (Eastern Standard/Daylight time) on February 23, 2009.

37. If a Purchaser, after receiving its Acknowledgement of Claim, disputes the information set out in the Acknowledgement of Claim, that Creditor will be required to deliver a Request for Amendment of the Purchaser Information included in the Acknowledgement of Claim, by completing and returning the "Request for Amendment" section in the Acknowledgement of Claim. A Purchaser that does not deliver a completed Request for Amendment to the Monitor by the Claims Bar Date shall:

    i) be deemed to have accepted the Purchaser Information in the Acknowledgement of Claim and will be forever barred from making or enforcing any Claim against the Applicant or the Directors other than a Claim based on the Purchaser Information;

    ii) shall not be entitled to vote at the Creditors' Meeting in respect of the Plan or to receive any distribution thereunder, except with respect to a Claim based on the Purchaser Information contained in an Acknowledgement of Claim; and

    iii) shall not be entitled to any further notice in, and shall not be entitled to participate as a creditor in, these proceedings, except with respect to a Claim based on the Purchaser Information contained in an Acknowledgement of Claim.

38. A Creditor who has not received an Acknowledgement of Claim and who does not file a Proof of Claim prior to the Claims Bar Date will have its Claim forever barred and will not be entitled to vote at the Creditors' meeting, receive any distribution thereunder nor receive any further notice in these proceedings. As noted above, any Purchase who receives an Acknowledgment of Claim but believes he or she has a Claim independent of or other than one based on the information set out in the Acknowledgement of Claim will also be barred from asserting such a Claim unless it is filed with the Monitor on or before the Claims Bar Date.

Review of Proofs of Claim

39. Pursuant to the Claims procedure, the Monitor will be required to review the Requests for Amendment and Proofs of Claim that are received from Creditors of the Applicant on or before the Claims Bar Date to determine the adequacy of the manner in which Requests for Amendment and Proofs of Claim have been completed and executed. Where the Monitor is satisfied that a Request for Amendment or Proof of Claim has been adequately proven, it may waive strict compliance with requirements of the Claims Order governing the Claims Procedure.

40. When reviewing the Requests for Amendment and Proofs of Claim, the Monitor shall take the following into consideration:

    i) The Purchaser Information contained in an Acknowledgement of Claim shall confirm only the amount and validity of the Claim that is based on that Purchaser Information, and does not confirm or establish the nature, value, or priority of the Claim that is based on that Purchaser Information. A Request for Amendment of an Acknowledgement of Claim which is meant to establish the nature, value or priority of the Claim will be disallowed by the Monitor for purposes of this Claims process.

    ii) Claims shall be reduced by the amount of any subsequent payment/consideration made thereon, the application of any discounts in respect thereof and any other subsequent credits that are properly applicable against the Claim; and

    iii) Any Claim denominated in a currency other than Canadian dollars shall, for the purposes of the Claims Procedure Order, be converted into Canadian dollars, such calculation to be effected by the Monitor using the Bank of Canada noon spot rate on the Valuation Date.

41. The Monitor understands that issues as to the nature and priority of Purchasers' investments may exist, given that there are a variety of arrangements under which Purchasers acquired their interests. There are a number of different forms of contracts and structures that could lead to assertions of various legal arguments. The Claims Process, as noted, is not intended to address these characterization issues. The Claims

Process is intended for the purpose of gathering information that would provide the basis for identifying and quantifying Purchasers' Claims.

42. It is anticipated that characterization issues such as the nature, value, and priority of the Claims of Purchasers will be addressed for resolution in the Plan of Arrangement to be put forward by USI for consideration by Purchasers and other claimants.

Notices of Revision or Disallowance

43. The Monitor, in consultation with the Applicant, shall review all the Requests for Amendment and Proofs of Claims filed on or before the Claims Bar Date and shall by way of Notice of Revision or Disallowance accept, revise or disallow (in whole or in part) the Purchaser Information set out in any Request for Amendment, and the amount and/or status of the Claim set out in any Proof of Claim.

44. Following the issuance of an Acknowledgement of Claim, the Monitor may by way of Notice of Revision or Disallowance revise or disallow (in whole or in part) the Purchaser Information set out in an Acknowledgement of Claim should new information arise which results in a change to the Purchaser Information included in the Acknowledgement of Claim.

45. At any time, the Monitor may request additional information with respect to any Claim (including in respect of any Acknowledgement of Claim), and may request that the Creditor file a revised Request for Amendment or a revised Proof of Claim, as the case may be. The Monitor will send a form of Dispute Notice to any Creditor whose claim has been revised or disallowed at the time the Notice of Revision or Disallowance is sent to that Creditor.

46. Where Purchaser Information or a Claim has been revised or disallowed (in whole or in part) by a Notice of Revision or Disallowance, the revised or disallowed portion of that Claim shall not establish a Proven Claim unless the Creditor disputes the revision or disallowance and proves the revised or disallowed Claim (or portion thereof) in accordance with the Claims Procedure Order.

Disputed Notices of Revision or Disallowance

47. Any Creditor who receives a Notice of Revision or Disallowance and intends to dispute such Notice of Revision or Disallowance must deliver a Dispute Notice to the Monitor by no later than 4:00 p.m. (Eastern Standard/Daylight Time) on the day that is fourteen (14) days after the Monitor sends the Notice of Revision or Disallowance. The filing of a Dispute Notice with the Monitor within the time limit would constitute an application to have the amount or status of such Claim determined as set out below.

48. Where a Creditor that receives a Notice of Revision or Disallowance fails to file a Dispute Notice with the Monitor within the time limit, the amount and status of such Creditor's Claim would be deemed to be as set out in the Notice of Revision or Disallowance and such amount and status, if any, would constitute such Creditor's Proven Claim.

Resolution of Claims

49. Upon receipt by the Monitor of a Dispute Notice from a Creditor, the Claims Procedure Order provides for the resolution of Claims by the Creditor and the Monitor, in consultation with the Applicant, by first attempting to resolve and settle the Creditor's Claim to facilitate its timely resolution. If it is not possible to resolve and settle the Creditor's Claim in a manner satisfactory to the Monitor, the Monitor or the Creditor may make a motion to the Court for the final determination of the Creditor's Claim.

50. In addition, the Monitor may make a motion to the Court for the final determination of a Claim at any time, whether or not a Notice of Revision or Disallowance has been sent by the Monitor.

Voting and Distribution Rights

51. In the event that a Creditors' Meeting is held prior to a Claim becoming a Proven Claim, the Monitor shall conduct the vote of the Creditors and record the fact that the Creditor's vote is in dispute and report the results of the vote to the Court. The validity of the Claim and the corresponding vote by the Creditor shall not be final or binding on the Creditor, the Monitor, or the Applicant unless and until, and only to the extent that, the Claim becomes a Proven Claim.

52. Where a Claim has not become a Proven Claim prior to a distribution under any Plan, a reserve in respect of the specific Claim will be established and held by the Monitor, but the Creditor will not be entitled to a dividend based on the Claim unless and until, and only to the extent that, the Claim becomes a Proven Claim.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

53. The Applicant's largest stakeholder group consists of a large number of Purchasers who are resident in numerous countries and who entered into their respective arrangements with USI through various conduits and under differing legal documentation and, potentially, differing structures.

54. As reported, the Applicant is working diligently to develop a plan to present to its stakeholders and expects to address any Purchaser's issues relating to legal relationships, ownership and structure in such a plan. Accordingly, the Applicant proposes to limit the Claims Procedure as it relates to Purchasers to confirming the accuracy and completeness of limited but fundamental facts as to the Purchasers' initial investment amounts and dates and expected maturity amounts and dates.

55. Given the number of Purchasers, the Applicant's own records and the relatively simple nature of the facts to be confirmed for each Purchaser, the Monitor considers that the proposed implied acknowledgement process for Purchasers will offer Purchasers sufficient opportunity to correct any inaccuracies or omissions in the Applicant's records.

56. In addition, the Monitor agrees with the Applicant's view that nothing in the proposed Claims Procedure Order forecloses any rights any Purchasers may have to assert priority to or ownership of the assets in the Applicant's care and custody at a later date, including after the filing of any proposed Plan of Arrangement.

57. The Claims Procedure provides for a typical proof of claim process for other creditors to lodge their claims. The Applicant proposes a full mailing to all known Purchasers and Agents along with a public notice program that reflects its analysis of the geographic segmentation of the investors and other creditors. In addition, the Applicant proposes to provide notice to all agents as a further channel to investors.

58. While the timetable for mailing and submitting information before the proposed Claims Bar Date is, in the Monitor's view, somewhat compressed, the Monitor is of the view that it is not unreasonable. In any event the Monitor will report to this Honourable Court concerning any communication or late-filed claims received from stakeholders.

59. In light of the foregoing, the Monitor recommends that this Honourable Court approve the Applicant's proposed Claims Procedure.

60. The Monitor supports the Applicant's view that funds that are demonstrably not earmarked for specific policy premium reserves should be released for the Applicant to use in funding its ongoing operations, including the payment of policy premiums for which no reserves exist. The Applicant relies on Mills to administer and report on the premium reserves and is of the view that the additional reconciliations performed by Mills have been sufficient to justify reliance on Mills' updated report on the Revised Additional Funds. The Monitor is not aware of any information that causes it to believe that such reliance is unreasonable.

ALL OF WHICH is respectfully submitted this 20th day of January, 2009.

ERNST & YOUNG INC.,
Court-appointed Monitor of Universal Settlements International Inc.

Name: Brian Denega
Title: Senior Vice-President

APPENDIX “A”

APPENDIX "A"

Description	Dates	Notes	Ogilvy ($US)	MPC ($US)	USI ($US)	Total ($US)
Premium Reserve/Escrow Bank Balances	December 2, 2008	1	4,868,643	301,922	-	5,170,565
Transfer from Ogilvy Trust to USI Corporate account	December 5, 2008	2	(778,841)	-	-	(778,841)
Transfer from Ogilvy Trust to USI Premium Reserve Account	December 22, 2008	2	(4,089,783)	-	4,089,783	-
Premium funding from USI to MPC	December 23, 2008	3	-	108,287	(108,287)	-
Premiums paid by MPC to insurers	December 2, 2008 to January 2, 2009	4	-	(395,301)	-	(395,301)
Premium refund	December 12, 2008		-	488	-	488
Banking charges	December 2, 2008 to January 2, 2009		(19)	(207)	(11)	(237)
Premium Reserve/Escrow Bank Balances	January 2, 2009	5	-	15,189	3,981,485	3,996,674
Transfer to USI Corporate account	January 5, 2009	6	-	-	(605,033)	(605,033)
Premium Reserve/Escrow Bank Balances	January 8, 2009	7	-	15,189	3,376,452	3,391,641

Note 1 – Prior to the CCAA Application US$4,868,643 was transferred to Ogilvy from Mills.

As indicated in the Initial Order, Mills retained an additional US$300,000 to fund the payment of premiums as they fell due and in accordance with specific insurance policies to which the funds were designated. The bank balance at December 2, 2008 was US$301,922. The excess of US$1,922 in the account is due to premiums refunded to the account and interest earned on the funds during November 2008.

As a result of the foregoing, Ogilvy and Mills had in their escrow and premium reserve accounts on December 2, 2008 a combined total of US$5,170,565.

Note 2 – In accordance with the Initial Order, and as described in the First and Third Reports, on December 5 and 22, 2008, Ogilvy transferred US$778,841 and US$4,089,783 to USI's corporate and premium reserve accounts, respectively. USI's premium reserve account was established for the sole purpose of receiving the Mills funds and funding Mills to pay ongoing reserved premiums reserved (**"USI Premium Reserve Account"**).

Note 3 – As described in the Third Report, for ease of administration, Mills continues to pay the premiums which have reserves, as well as those which do not have reserves. The procedures adopted by Mills and USI are as follows:

1. Mills sends to USI monthly invoices detailing the premium payments which are required to be paid in the following month and indicates whether a

premium reserve exists or whether the premium needs to be funded from the corporate account;

2. USI compares the amounts on Mills' invoices to its records and determines whether it agrees with Mills' assessment as to whether a reserve exists or not for the premium payment; and

3. Accordingly, USI funds Mills from funds in either the USI Premium Reserve Account or USI's corporate account depending on whether a premium reserve exists for that particular policy.

After carrying out the procedures described above, on December 23, 2008 USI wired US$108,287 from the USI Premium Reserve Account to Mills to fund additional premiums with reserves. (In the period of December 2, 2008 to January 8, 2009, USI also wired US$134,299 from its corporate account to fund policy premiums with no premium reserves which is excluded from the above reconciliation. Therefore, a total of US$242,586 has been funded by USI to Mills from December 2, 2008 to January 8, 2009).

Note 4 – According to banking records provided by Mills to USI, Mills has made premium payments totalling US$395,301 to insurers between December 2, 2008 and January 8, 2009 with regard to policies which have premium reserves.

Note 5 – In paragraph 19 of the Third Report it was reported that on January 2, 2009 the USI Premium Reserve Account and the Mills Premium Reserve and Escrow Accounts had balances of US$3,981,485 and US$15,242. Following a further detailed review carried out by Mills and USI, the USI Premium Reserve Account balance of US$3,981,485 has been confirmed and the Mills account balance has been reduced by US$53 to US$15,189 due to additional bank charges charged to the account for the month of December 2008.

Note 6 – Pursuant to an order made by this Honourable Court dated on December 18, 2008, USI transferred US$605,033 from the USI Premium Reserve Account to USI's corporate account on January 5, 2009.

Note 7 – The combined premium reserve and escrow bank balances at Mills and USI totalled US$3,391,641 as at January 8, 2009.

APPENDIX "B"

M|P Mills,
&|Co Potoczak
& Company

Certified Public Accountants and Business Advisors

27600 Chagrin Boulevard
Suite 200
Cleveland, Ohio 44122-4464
Phone: 216.464.7481
Fax: 216.464.7581
www.mpccpa.com

Mark G. Mills
William M. Potoczak

January 7, 2009

VIA E-MAIL
jpanos@universalsettlements.com

Jeffrey Panos
President
Universal Settlements International Inc.
5500 North Service Road, 7th Floor
Burlington, Ontario L7L 6W6

Dear Jeff:

I write with respect to the US Trust and the assets which I held therein as Trustee for Universal Settlements International Inc. ("USI") until November 26, 2008, when USI directed that I transfer the assets back to it (the "Direction") to be held in escrow by Ogilvy Renault LLP pending a Court Order (the "Trust Funds"). Pursuant to the Order of Justice Wilton-Siegel dated December 2, 2008, the Trust Funds were transferred to USI on December 22, 2008, for the purposes of establishing an account from which to pay premiums as they fall due, with such payments to be monitored by Ernst & Young Inc.

Pursuant to the Direction, I transferred all of the funds held in the US Trust to Ogilvy Renault LLP, save for US$300,000 which is being used by the US Trust to make premium payments. Given that the Direction was made on short notice, I was unable to review the US Trust accounts prior to the transfer and advise with respect to how the Trust Funds were to be segregated.

Since my transfer of the Trust Funds, I have had the opportunity to review the US Trust accounts. In my letters dated December 2 and 15, 2008, to Ogilvy Renault LLP, I confirmed that US$778,850.53 and US$605,033 the Trust Funds had been escrowed for USI. Upon further review, I am able to confirm that an additional US$300,000 of the Trust Funds was also escrowed for USI. The remaining Trust Funds are for premium payments and other obligations of the US Trust. A schedule detailing the nature of the wires sent to Ogilvy Renault LLP on November 26, 2008, is attached.

This is Exhibit............................referred to in the
affidavit of CHRISTOPHER HALL
sworn before me, this..
day of JANUARY 20 09

....
ACO [illegible] AFFIDAVITS

Very truly,

MILLS, POTOCZAK & COMPANY

William M Potoczak

by: William M. Potoczak
Principal

Cc: Brian Denega, Ernst & Young Inc. (via e-mail Brian.M.Denega@ca.ey.com)
William McNamara, Ogilvy Renault LLP (via e-mail mcnamara@ogilvyrenault.com)

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Sender's e-mail address: **wpotoczak@mpccpa.com**
Sender's direct dial phone number: **216-682-0849**

US Trust
Wire reconciliation
November 26, 2008

Escrow	**Total**	**Released via letter dated 12/2/08**	**Released via letter dated 12/15/08**	**Balance**	**Balance that can be released**	**Comments**
Wire 11/26/08	927,754	778,851	62,439	86,465	50,000	Payble to D. Zieger of $86,465 can be release when settlement agreement is received less $50,000 heldin US Trust accounts
Premium						
Wire 11/26/08	3,940,937		542,594	3,398,343	250,000	Premium funds allocated to policies of $3,880,113 less $250,000 held in US Trust accounts
Grand total		778,851	605,033		300,000	

APPENDIX "C"

Mills, Potoczak & Company

Certified Public Accountants and Business Advisors

27600 Chagrin Boulevard
Suite 200
Cleveland, Ohio 44122-4464
Phone: 216.464.7481
Fax: 216.464.7581
www.mpccpa.com

Mark G. Mills
William M. Potoczak

Luis Miguel Mendes, a Commissioner etc., Province of Ontario, while a student-at-law. Expires April 5, 2010.

January 15, 2009

This is Exhibit "H" referred to in the affidavit of Christopher Hall sworn before me, this 16th day of January 2009.

A COMMISSIONER FOR TAKING AFFIDAVITS

VIA E-MAIL
jpanos@universalsettlements.com

Jeffrey Panos
President
Universal Settlements International Inc.
5500 North Service Road, 7th Floor
Burlington, Ontario L7L 6W6

Dear Jeff:

Further to my letters to Ogilvy Renault LLP ("Ogilvy") dated December 2 and 15, 2008 and my letter to Universal Settlements International Inc. ("USI") dated January 7, 2009, I am writing with respect to the assets of USI which I held as Trustee of the US Trust (the "US Trust").

On November 26, 2008, USI directed that I transfer the assets of the Trust (the "Trust Funds") to Ogilvy to be held in escrow, pending Order of the Ontario Superior Court of Justice (the "Court").

I directed the said transfer as requested on the same date, save for (US)$300,000 which I kept for the payment of certain policy premiums and administration costs.

I understand that, pursuant to an Order of the Ontario Court dated December 2, 2008, Ogilvy was directed to transfer the Trust Funds to USI for the purposes of establishing a specific account for the payment of premiums (the "Premium Reserve Account"), with such payments to be monitored by Ernst & Young Inc. (the "Monitor"). I further understand that Ogilvy has effected this transfer.

Because of the short time-frame within which I was required to transfer the Trust Funds to Ogilvy, I was unable to provide a complete reconciliation of the funds held in the US Trust prior to transferring the funds. Reconciling the accounts involves examining the Policies to ascertain the premium cost, the premium reserves and cash on hand. Given the number of policies, this is a time-consuming process.

Since transferring the Trust Funds to Ogilvy, I have undertaken a reconciliation. The results have been indicated in my letters dated December 2 and 15, 2008, January 7, 2009 and in this letter.

More specifically, in my letters dated December 2 and December 15, 2008, I advised Ogilvy that (US)$778,850.53 and (US)$605,033, respectively, which were placed in the Premium Reserve Account, in fact belonged to USI and should not have been segregated in the Premium Reserve Account.

Jeffrey Panos
President
Universal Settlements International Inc.
January 15, 2009
Page 2

On January 7, 2009, I advised USI that a further **(US)$300,000** of the Premium Reserve Account belonged to USI and also should not have been segregated in the Premium Reserve Account. Upon further review, however, I realized that this calculation did not properly take into account an annuity used to pay certain policy premiums. The correct amount to be transferred is (US) **$210,735**. The explanation for the **(US)$89,265** difference is as follows.

The payment of premiums on a Policy in the name of Insured X (I am intentionally not disclosing the names of the insureds in this letter for privacy reasons) were effected by means of an annuity established several years ago. On November 25, 2008 (prior to the transfer of the Trust Funds to Ogilvy), the US Trust received an annuity payment in the amount (US)$105,224.

In addition, prior to the transfer of the Trust Funds to Ogilvy, USI funded the payment of 2 premiums on policies in the names of Insureds Y and Z, despite the fact that these two policies had premium reserves (in the amounts of (US)$13,000 and (US)$1,314, respectively).

Reconciling these transactions leaves a net balance of (US)$90,910 which should have been included in the US Trust's list of payable premiums but was not as a result of an error.

The difference between the net balance of (US)$90,190 and (US)$89,265 (*i.e.*, **(US)$1,645**) relates to a number of minor adjustments pertaining to premium reimbursements and interest income less bank fees. A complete reconciliation of the excess Premium Reserves in the account is included in Exhibits A and B attached.

Consequently, my reconciliation of January 7, 2009 understated the balance of the Premium Reserve Account. I have corrected this oversight in the attached summary.

I trust that this is of assistance. Please do not hesitate to contact me should you have any questions.

Very truly,

MILLS, POTOCZAK & COMPANY

William M Potoczak

by: William M. Potoczak
Principal

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Sender's e-mail address: **wpotoczak@mpccpa.com**
Sender's direct dial phone number: **216-682-0849**

REDACTED

Exhibit A
Calculation of release amount

Wire transfer 11/26/08	(US)$4,868,673
Premiums paid to date for policies with reserves	(108,296)
Less court approved transfers	(778,850)
	(605,033)
	3,376,494
Amount of premiums required per Exhibit B	(3,094,441)
Amount held for policies	(86,465)
Less cash on hand	15,147
Balance left to transfer	(US)$210,735

REDACTED

Exhibit B
Reconciliation with letter dated January 7, 2009

Cash received from an annuity for the payment of premiums on prior to 11/26/08.	January 8, 2009	(US)$(105,224)	Prior to filing, an annuity was received to be used to pay for one policy's an annual premium. The value of the November 26, 2008 balance as stated in MPC's letter Dated January 7, 2009 incorrectly excluded this amount.
Two premiums funded by USI that had premium reserves on 2 policies.	January 8, 2009	14,314	These policies were indicated as not having a reserve, therefore USI funded this premium from the Corporate Account rather than from the Premium Reserve Account.
Premium refunds	Prior to Filing	1,458	This amount relates to a premium refund that was received by MPC prior to December 2, 2008. This amount was not included in the initial calculation to retain $300,000 from MPC.
Premium refund	December 29, 2009	488	This amount relates to a premium refund that was received by MPC December 29, 2008. MPC has set up a reserve for this amount to pay for future premiums.
Reserve Understated for Premium Refund Received	December 29, 2009	(488)	
Interest earned	Prior to Filing	744	Interest Received prior to filing that was not included in the initial calculation to retain $300,000 by MPC.
Bank charges	Prior to Filing	(557)	Banking Fees that were not considered in the initial calculations.
Additional funds before float	January 8, 2009	(US)$ (89,265)	

APPENDIX "D"

APPENDIX "D"

Description	Dates	Notes	Additional Funds (Jan 7, '09 letter) ($US)	Revised Additional Funds (Jan 15, '09 letter) ($US)	Difference ($US)
Balance of premium reserve account	December 2, 2008	1	5,168,692	5,170,565	1,873
Transfer from premium reserve account to USI Corporate account	December 5, 2008	2	(778,851)	(778,841)	10
Transfer from premium reserve account to USI Corporate account	January 5, 2009		(605,033)	(605,033)	-
Premiums paid from premium reserve account	December 2, 2008 to January 8, 2009	3	-	(395,301)	(395,301)
Premium refund	December 12, 2008	2	-	488	488
Bank charges	December 2, 2008 to January 2, 2009	2	-	(237)	(237)
Adjusted balance of premium reserve account	January 8, 2009		3,784,808	3,391,641	(393,167)
Deduct: Actual premium reserves needed according to MPC	January 8, 2009		(3,398,343)	(3,094,441)	303,902
Additional funds in premium reserve account	**January 8, 2009**		386,465	297,200	(89,265)
Additional non-premium related reserve held by MPC	January 8, 2009		(86,465)	(86,465)	-
Additional funds before adjustments	**January 8, 2009**	4	300,000	210,735	(89,265)
Adjustments:					
One policy reserve understated	January 8, 2009	5	(105,224)	-	105,224
Payments made by USI corporate account	January 8, 2009	6	14,314	-	(14,314)
Premium refunds	Prior to Filing Date	7	1,458	-	(1,458)
Premium refund	December 29, 2009	8	488	-	(488)
Reserve Understated for Premium Refund Received	December 29, 2009	8	(488)	-	488
Interest earned	Prior to Filing Date	9	744	-	(744)
Bank charges	Prior to Filing Date	9	(557)	-	557
Additional funds before float	January 8, 2009		210,735	210,735	(0)
Float held in USI Premium Reserve Account	January 8, 2009		(5,000)	(5,000)	
Additional funds	**January 8, 2009**		205,735	205,735	

Note 1 – In the Revised Additional Funds calculation, the premium reserve account balance of US$5,170,565 at December 2, 2008 consists of US$4,868,643 held by Ogilvy at the time and US$301,922 retained by Mills, as described above. The difference of $1,873 between the Revised Additional Funds and Additional Funds calculations relates to $1,922, described in Note 1 of Appendix "A", less $49 of banking charges.

Note 2 – These differences are the result of premium refunds received by, and bank fees charged to, Mills' bank accounts, which were excluded from Mills' Additional Funds calculation.

Note 3 – The Additional Funds Calculation did not take into consideration the fact that premiums were paid during the period of December 2, 2008 to January 8, 2008 in the amount of US$395,301 which reduced the balance in the USI Premium Reserve Account by that amount.

Note 4 – The Revised Additional Funds amount, which Mills has recommended for release, totals US$210,735, before a reduction for a float of $5,000, discussed further below. The difference between the $300,000 amount that Mills recommended release of by their letter of January 7, 2009 and the $210,735 that Mills is now recommending release of is explained by Notes 5 – 9 below. Mills has reduced its recommendation for the release of excess premium reserve funds by US$89,265 for the reasons described.

Note 5 – Prior to the Filing Date, Mills received a payment from an annuity to fund the upcoming annual premium payment for one policy. When the annuity payment was received, it was less than the annual premium payment that was coming due. Mills arranged with the insurer that the premium on this Policy be paid monthly instead of annually. The insurer agreed, and the first monthly payment was made on this basis. The balance of the annuity was placed in Mills' premium reserve account. Due to an error, however, the liability for future premiums was not included in the list of payables which Mills maintained for policies with reserves. This resulted in an understatement of the amount of premiums payable and a corresponding increase of US$105,224 in the amount required to properly fund the premium reserve account. When this error recently came to light, Mills revised its calculations accordingly.

The Monitor is not aware of any information that would suggest that this situation was not unique or that it could otherwise affect or cast doubt on Mills' reconciliation of its accounts.

Note 6 – These figures represent two premium payments made by USI corporate on December 15 and 29, 2008 instead of being funded from the premium reserve account as the associated policies had premium reserves available. As a result, according to Mills, US$14,314 may be returned to the USI corporate account.

Note 7 – US$1,458 relates to a premium refund received by Mills prior to the Filing Date and was excluded from the Additional Funds calculation by Mills.

Note 8 – US$488 relates to a premium refund received by Mills on December 29, 2008. Mills had since added this amount to the premium reserve account to be used to fund future premiums on this policy.

Note 9 – US$744 and US$557 relate to interest income and bank charges, respectively, which were not included in the Additional Funds calculation.

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

FOURTH REPORT OF THE MONITOR
(JANUARY 20, 2009)

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Katherine McEachern, LSUC #38345M
Tel: 416-863-2566
Fax: 416-863-2653

Lawyers for the Monitor,
Ernst & Young Inc.