Court File No.:

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

APPLICATION RECORD

December 2, 2008

OGILVY RENAULT LLP
Royal Bank Plaza, South Tower
3800 - 200 Bay Street
Toronto ON M5J 2Z4

William McNamara (LSUC#: 23153S)
Tel: (416) 216-3906
Fax: (416) 216-3930

Lawyers for the Applicant

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Fax: (416) 216-3930

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DOCSTOR: 1580895\1

08-CL-7878

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BETWEEN:

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

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on December 2, 2008, at 10:00 a.m., at 330 University Avenue, 7th Floor, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO

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OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date December 2, 2008

Issued by ____________

Local registrar

Address of court office: 330 University Avenue
Toronto Ontario
M5G 1E6

TO: *Ex parte*

APPLICATION

1. The Applicant Universal Settlements International Inc. ("USI") makes application for an Order substantially in the form attached as Schedule "A" hereto:

(a) Abridging the time for service of this Notice of Application and dispensing with service;

(b) Declaring that USI is a party to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36l, as amended (the "CCAA"), applies;

(c) Appointing Ernst & Young Inc. ("E&Y") as officer of this Honourable Court to monitor the assets, business and affairs of USI;

(d) Staying, until otherwise ordered by the Court, all proceedings taken or that might be taken in respect of USI, E&Y, or the former and current trustees of USI;

(e) Restraining, until otherwise ordered by the Court, further proceedings in any action, suit or proceeding against USI;

(f) Prohibiting, until otherwise ordered by the Court, the commencement of or proceeding with any other action, suit or proceeding against USI;

(g) Permitting USI to fund premium payments as they fall due from funds previously designated in this regard, under the supervision of E&Y;

(h) Such further and other relief Counsel may request and this Honourable Court deem fit.

2. The grounds for the Application are:

(a) USI is insolvent;

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(b) USI is a company to which the CCAA applies;

(c) The claims against USI exceed $5 million;

(d) USI, an Ontario corporation, is in the business of selling whole or fractional interests in Life Settlements;

(e) Life Settlements are financial transactions that allow terminally ill or elderly owners of life insurance policies (the "Insured") to sell (or "viaticate") the beneficiary entitlement under life insurance policies to a third-party at a discount from the face value of the benefit;[1]

(f) USI is not involved in the viatication of life insurance policies, only in the subsequent sale of viaticated policies, or fractional interests therein ("Life Settlements"), to third-party purchasers. In these proceedings, USI's third-party purchasers are its primary creditors (and shall be referred to herein as "Purchasers" or the "Purchaser");

(g) For purposes of this Application, and as explained in greater detail herein, USI offered two types of Life Settlement programs:

(i) The **GLS** program, which offers an investment with a fixed return (*i.e.*, the Death Benefits payable under the policy) without a guaranteed payment

[1] The Policies that form the basis of USI's Life Settlement purchase programs originate in the United States where they are viaticated by United States viatical settlement providers. Policies are purchased from appropriately licensed agents and brokers who are contracted agents for the insured in the sale process or in rare cases from the insured themselves. USI does not market Life Settlement purchase programs involving Ontario-based life insurance policies or on life insurance policies based in any other Canadian jurisdiction, nor has it ever done so.

date but payable upon receipt by USI of the Death Benefits from the insurer; and

(ii) The **Reinsured GLS** program, which includes a contingent reinsurance component purchased from a third-party, and offers Purchasers both a fixed return and a guaranteed maturity date (the "Guaranteed Maturity Date") corresponding to the Insured's Life Expectancy plus 2 years;

(h) In either case, the Purchaser's actual interest could correspond to the benefits related to an entire policy or to the benefits related to a fractional interest in a policy;

(i) USI's main obligations are to locate and purchase the policies which reflect the Purchasers' investment instructions; to pay the policy premiums required to maintain the policies in good standing; to make claims for Death Benefits or on the reinsurance at the appropriate time; and to remit to Purchasers the amounts due under their Life Settlements upon USI's receipt of Death Benefits or proceeds from reinsurance, depending on the program chosen by the Purchaser (*i.e.*, GLS or Reinsured GLS);

(j) Typically, USI set aside part of the purchase monies received from Purchasers to pay policy premiums. These funds are known as the "Premium Reserves". Premiums are paid from the Premium Reserves on a policy-by-policy basis. The Premium Reserves were accumulated through monies received from Purchasers that USI set aside to pay Policy Premiums;

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(k) Although the Premium Reserves in respect of certain policies have been insufficient for the reasons described in greater detail herein, USI has maintained all premium payments to date, with the result that all policies are currently in good standing;

(l) USI maintained the policies in good standing by drawing upon other corporate funds when necessary. Howcver, as a result of the events described herein, USI faces a severe liquidity crisis and will have completely depleted its readily available operating funds by January 15, 2009;

(m) As a result, USI will be unable to maintain premium payments in the coming months. Specifically, USI will be unable to fund premiums in respect of policies having a face value of approximately:

(i) US$50.5 million beyond January, 2009;

(ii) US$13.1 million beyond February, 2009;

(iii) US$10.3 million beyond March, 2009; and

(iv) US$3.7 million beyond April, 2009;

(n) Non-payment of premiums on these life insurance policies cannot be "cured". In the event of non-payment, the policies will simply lapse, and the Purchasers' Life Settlement investments relating to those policies will become worthless. On the other hand, if the premiums are paid, and the policies maintained in good standing, a Death Benefit will eventually be paid by the insurers under the policies. . It has been the experience of USI that the insurance companies issuing policies held by USI have favourable credit ratings and therefore collectability of these Death Benefits is not expected to be an issue;

(o) In addition, USI is currently unable to meet its guaranteed payment obligations in respect of certain Life Settlements in the Reinsured GLS program which attained their respective Guaranteed Maturity Dates in 2008, for the reasons described in greater detail herein. These payment obligations amount to US$13.8 million;

(p) Rules 2.03, 3.02, 14.05(2), 16 and 38 of the *Rules of Civil Procedure* and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and

(q) Such further and other grounds as Counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) The Affidavit of Christopher Halas sworn December 2, 2008, and the Exhibits thereto;

(b) The Consent of E&Y to act as Monitor; and

(c) Such further and other material as Counsel may advise and this Honourable Court permit.

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December 2, 2008

OGILVY RENAULT LLP
Royal Bank Plaza, South Tower
3800 - 200 Bay Street
Toronto ON M5J 2Z4

William McNamara (LSUC#: 23153S)
Tel: (416) 216-3906
Fax: (416) 216-3930

Lawyers for the Applicant

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William McNamara (LSUC#: 23153S)
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Fax: (416) 216-3930

Lawyers for the Applicant

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AFFIDAVIT OF CHRISTOPHER HALAS
(sworn December 2, 2008)

I, CHRISTOPHER HALAS, of the City of Mississauga, Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice-President and Secretary of Universal Settlements International Inc. ("USI"); I have been Vice-President since January 2002 and Secretary since January 2007. I have personal knowledge of the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the sources of my information and, in all such cases, believe it to be true.

2. I am swearing this affidavit in support of USI's Application pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and for no other or improper purpose.

3. USI is a debtor corporation within the meaning of section 3(1) of the CCAA. It is insolvent, and has claims against it exceeding $5 million.

OVERVIEW

4. USI, an Ontario corporation, is in the business of selling whole or fractional interests in Life Settlements.

5. Life Settlements are financial transactions that allow terminally ill or elderly owners of life insurance policies (the "Insured") to sell (or "viaticate") the beneficiary entitlement under life insurance policies to a third-party at a discount from the face value of the benefit.[1]

6. USI is not involved in the viatication of life insurance policies, only in the subsequent sale of viaticated policies, or fractional interests therein ("Life Settlements"), to third-party purchasers. In these proceedings, USI's third-party purchasers are its primary creditors (and shall be referred to herein as "Purchasers" or the "Purchaser").

7. For purposes of this Application, and as explained in greater detail herein, USI offered two types of Life Settlement programs:

(a) The **GLS** program, which offers an investment with a fixed return (*i.e.*, the Death Benefits payable under the policy) without a guaranteed payment date but payable upon receipt by USI of the Death Benefits from the insurer; and

---

[1] The Policies that form the basis of USI's Life Settlement purchase programs originate in the United States where they are viaticated by United States viatical settlement providers. Policies are purchased from appropriately licensed agents and brokers who are contracted agents for the insured in the sale process or in rare cases from the insured themselves. USI does not market Life Settlement purchase programs involving Ontario-based life insurance policies or on life insurance policies based in any other Canadian jurisdiction, nor has it ever done so.

(b) The **Reinsured GLS** program, which includes a contingent reinsurance component purchased from a third-party, and offers Purchasers both a fixed return and a guaranteed maturity date (the "Guaranteed Maturity Date") corresponding to the Insured's Life Expectancy plus 2 years.

8. In either case, the Purchaser's actual interest could correspond to the benefits related to an entire policy or to the benefits related to a fractional interest in a policy.

9. USI's main obligations are to locate and purchase the policies which reflect the Purchasers' investment instructions; to pay the policy premiums required to maintain the policies in good standing; to make claims for Death Benefits or on the reinsurance at the appropriate time; and to remit to Purchasers the amounts due under their Life Settlements upon USI's receipt of Death Benefits or proceeds from reinsurance, depending on the program chosen by the Purchaser (*i.e.*, GLS or Reinsured GLS).

10. Typically, USI set aside part of the purchase monies received from Purchasers to pay policy premiums. These funds are known as the "Premium Reserves". Premiums are paid from the Premium Reserves on a policy-by-policy basis. The Premium Reserves were accumulated through monies received from Purchasers that USI set aside to pay Policy Premiums.

11. Although the Premium Reserves in respect of certain policies have been insufficient for the reasons described in greater detail herein, USI has maintained all premium payments to date, with the result that all policies are currently in good standing.

12. USI maintained the policies in good standing by drawing upon other corporate funds when necessary. However, as a result of the events described herein, USI faces a severe liquidity crisis and will have completely depleted its readily available operating funds by January 15, 2009.

13. As a result, USI will be unable to maintain premium payments in the coming months. Specifically, USI will be unable to fund premiums in respect of policies having a face value of approximately:

(a) **US$50.5 million** beyond **January, 2009;**

(b) **US$13.1 million** beyond **February, 2009**;

(c) **US$10.3 million** beyond **March, 2009**; and

(d) **US$3.7 million** beyond **April, 2009**.

14. Non-payment of premiums on these life insurance policies cannot be "cured". In the event of non-payment, the policies will simply lapse, and the Purchasers' Life Settlement investments relating to those policies will become worthless. On the other hand, if the premiums are paid, and the policies maintained in good standing, a Death Benefit will eventually be paid by the insurers under the policies. . It has been the experience of USI that the insurance companies issuing policies held by USI have favourable credit ratings and therefore collectability of these Death Benefits is not expected to be an issue.

15. In addition, USI is currently unable to meet its guaranteed payment obligations in respect of certain Life Settlements in the Reinsured GLS program which attained their respective Guaranteed Maturity Dates in 2008, for the reasons described in greater detail herein. These payment obligations amount to US$13.8 million.

16. If CCAA protection is granted, it is USI's intention to restructure its affairs to ensure that all premiums are paid, and continue to be paid, that all policies remain in good standing and that Purchasers are paid in accordance with their Life Settlement contracts to the fullest extent possible.

History of USI

17. USI was incorporated by Tony Duscio and Derek O'Brien in April 1997 under the laws of the Province of Ontario.

18. The shares of USI are now owned equally by Jeffrey Panos and I through our respective holding companies. In addition to me, the Officers of USI are the following:

(a) Jeffrey Panos – President and Treasurer; and

(b) Riaz J. Khan, C.A. – Chief Financial Officer.

19. USI currently employs 9 employees who work from its leased offices at 5550 North Service Road, Suite 703, Burlington, Ontario L7L 6W6.

Business Operations of USI

20. A typical Life Settlement transaction between USI and a Purchaser commences with the execution of a Purchase Agreement. The terms of USI's Purchase Agreements evolved slightly over time as programs changed. A copy of the most recent form of Purchase Agreement is attached hereto and marked as Exhibit "A".

21. Under the Purchase Agreement, the Purchaser sets the parameters of his or her purchase by determining the choice of Life Settlement program offered by USI, and the amount of their investment.

22. Once sufficient funds have been raised from Purchasers, USI locates Life Settlements for the specific program that the Purchasers have selected. USI rarely maintains an inventory of Life Settlements.

23. Once a policy has been purchased, USI ensures that the beneficiary of the policy is changed to a USI designee so that, upon the death of the Insured, the funds are made available to USI to remit to the Purchasers. USI tracks and monitors the Insured and ensures that claims for Death Benefits are filed as appropriate.

The Premium Reserves

24. As indicated above, USI maintains Premium Reserves with respect to the policies which underpin its Life Settlement contracts with Purchasers. In the past, Premium Reserves were allocated by USI on a policy-by-policy basis.

25. From time to time, certain policies matured before the Premium Reserves applicable to those policies were fully expended. These unexpended premiums were held separately as "Excess Premium Reserves".

26. In principle, the Excess Premium Reserves belong to USI. However, USI used the Excess Premium Reserves to pay policy premiums as they became due on policies that had exhausted their Premium Reserves. The Excess Premium Reserves, which have been significantly depleted over the past few months, stood at $56,000 as of November 22, 2008.

27. USI will have depleted its operating cash and the Excess Premium Reserves by no later than January 15, 2009. As indicated above, without operating cash or Excess Premium Reserves, USI will be unable to sustain operations and make premium payments on policies having a face value of approximately US$77.6 million between now and the end of April 2009, resulting in the lapse of those Polices and a complete loss of value to the Purchasers.

USI Life Settlement Programs

28. USI initially offered Purchasers a product named "Guaranteed Life Settlements" or "GLS". As indicated above, the GLS program offered Purchasers an investment with a fixed return based on a fractional interest in the underlying Policies.

29. In subsequent years, USI developed the Reinsured GLS which, as indicated above, included a contingent reinsurance component purchased from a third-party.

30. In 2008, USI launched a new Life Settlement product named the USI M-Series ("M-Series"). The M-Series allows Subscribers to own a direct interest in a trust which in turn owns

a number of Policies. The M-Series, which offers the Subscribers a number of other benefits the predecessor GLS programs did not provide, are not affected by these proceedings because the M-Series Subscription Agreements provide that all M-Series Life Settlements, and the underlying policies, are effectively administered solely by the program's Trustee in the event of the insolvency of USI.

The Trusts

31. USI established two bare Trusts for the purpose of holding the policies which underpin GLS and Re-insured GLS programs and administering the premium payments for those Policies. The Trusts are the US Trust ("US Trust") and the Universal Settlements Inc. Trust ("USI Trust")

The US Trust – GLS and Reinsured GLS Life Settlements

32. USI is the settlor and beneficiary of the US Trust. USI appointed Mills, Potoczak & Company ("Mills") as Trustee. Mills is a CPA firm in Cleveland, Ohio that specializes in Life Settlement administration. Mills' role was to facilitate the administration of the Policies held by the US Trust. These comprise the majority of the Policies which underpin the Life Settlements bought by Purchasers, but the US Trust also held a small number of Policies in respect of Life Settlements held by USI for its own interest.

33. On or about November 24, 2008, in anticipation of these proceedings, Mills was directed by USI to transfer all of the assets in the US Trust back to USI. Specifically, Mills was directed to: (a) remit all Premium Reserves and Excess Premium Reserves to Ogilvy Renault LLP, to be held in trust pending further Order of this Court; (b) provide an assignment of all of the policies

and any other assets held by it to USI; and (c) execute such Notices of Assignment as are necessary to complete the transfer of the policies and any other assets.

34. I am informed by William McNamara, the partner at Ogilvy Renault LLP responsible for this matter, and do believe that, Ogilvy Renault LLP has received the funds and has undertaken to hold them pending further Order of this Court. It is anticipated that the Monitor will oversee the administration of the funds. Mills has withheld US$300,000 from the funds transferred to ensure that premiums payable with respect to Policies administered by Mills are maintained during the next 60 days.

35. The face value of the policies which underpin the Life Settlements held in the US Trust is $144.99 million, $139.17 million representing the interest held by Purchasers and $5.82 million representing the interest held by USI.

The USI Trust – GLS, Reinsured GLS and USI-Owned Life Settlements

36. Like the US Trust, the USI Trust also holds a combination of policies on the behalf of Purchasers and USI. The USI Trust does not hold any cash. As of January 25, 2007, I replaced Tony Duscio as Trustee and remained Trustee until November 28, 2008 when I was directed by USI to transfer all of the assets in the USI Trust back to USI in anticipation of these proceedings.

37. The face value of the policies held by the USI Trust is $82.31 million, $44.66 million representing the interest of Purchasers and $37.65 million representing USI's interest.

38. The purpose of the CCAA Application is to permit USI to restructure its affairs so as to realize the face value of the policies held in the US Trust and the USI Trust. The realization of the face value of the policies will represent the best outcome for the Purchasers.

39. USI also established a complex Trust with Mills as Trustee for the purpose of administering the M-Series products. As indicated above, the M-Series Life Settlements are not part of this proceeding.

Financial Difficulties

40. USI's liquidity crisis, and resulting CCAA Application, has arisen by reason of the following events.

Reinsurance default

41. In May 2003, as part of the Reinsured GLS Program, USI, through Mr. Duscio, contracted with an Italian bonding company, San Remo SpA ("San Remo"), to guarantee the payments due to Purchasers who had invested in the Reinsured GLS Program.

42. On or about July 21, 2008, I learned that San Remo had become insolvent in approximately June 2007. USI had had no previous indication that San Remo was insolvent.

43. The negative consequences of San Remo's insolvency are significant. In 2008, Life Settlements in the amount of US$13.8 million reached their respective Guaranteed Maturity Dates before Death Benefits became payable. Reinsurance claims have not been paid to USI by San Remo and, in turn, USI has been unable to pay Purchasers the guaranteed fixed amounts. In

2009, Life Settlements having a face value of US$31 million will attain their Guaranteed Maturity Dates. Given San Remo's insolvency, there is no likelihood that any of these reinsurance claims will be paid to USI either and, once again, USI will be unable to pay Purchasers the guaranteed maturity amounts.

44. USI wishes to maintain the premiums on the reinsured Polices as they become due in order to ensure that the Policies remain in good standing, so that Death Benefits are paid by the insurers.

45. The Premium Load for the Policies which attained their Guaranteed Maturity date in 2008 will be approximately $500,000 in 2009 and a similar amount in subsequent years (should there be no further policy maturities).

46. The Premium Load for the policies which will attain their Guaranteed Maturity Date in 2009 will be an additional $1.6 million in 2010 and a similar amount in subsequent years (should there be no further policy maturities).

47. If the relief sought in these proceedings is granted, USI intends to pay the premiums and thereby maintain the policies in good standing.

Insufficient or no Premium Reserves

48. Since Mr. Panos and I became the controlling shareholders of USI in 2007, we have learned that USI had previously purchased a number of Policies for which the Premium Reserves were insufficient. As a result, the premiums for those Policies had to be paid from USI's operating funds. These payments have had a significant and negative effect on USI's

cash flow. In essence, in order to pay the premiums, and maintain the underlying Policies in good standing, USI has had to use other corporate funds including the Excess Premium Reserves. These alternative sources of funds are now essentially depleted.

Misappropriation of corporate funds and ensuing litigation costs

49. In 2005, when Mr. Duscio was still the President of USI, USI purchased a portfolio of life settlements from the Receiver of an insolvent U.S.-based Life Settlement company, Trade Partners, Inc. (the "TPI Portfolio"). The purchase price of the TPI Portfolio was US$43 million. This amount was paid by USI. It represented a price of 26.58 cents (US) per dollar of face value. It was later discovered that approximately US$5 million of the purchase price was illegally diverted to the benefit of individuals with whom Mr. Duscio had been dealing.

50. On December 12, 2007, USI brought an action against these individuals (James Torchia and Marc Celello) and a related corporate entity (National Viatical Inc.), seeking to recover the US$5 million illegally diverted from USI. The matter is scheduled for trial in November 2009.

51. In or about the Fall of 2006, Jeffrey Panos and I discovered that Mr. Duscio had misappropriated company funds through a complex series of transactions. The exact details of these transactions are still not fully known. The amount of the misappropriation is at least US$4 million.

52. Mr. Duscio's misappropriation of funds has seriously impacted USI's liquidity. This in turn has led to legal proceedings which are ongoing before Lorne Morphy, Q.C. as Arbitrator. These proceedings have been very costly. There have been numerous delays, mostly as a result

of Mr. Duscio's conduct. The hearing date has not yet been scheduled but our counsel has proposed December 14, 2008 to the Arbitrator and opposing counsel.

53. In September 2008, USI was served with a Statement of Claim filed by Rino Bifolchi, a Purchaser, seeking (*inter alia*) to have USI placed in receivership (the "Receivership Application"), damages in the total amount of $250 million and ancillary relief, all as appears from a copy of the Statement of Claim attached as Exhibit "B" hereto.

54. Mr. Bifolchi's Claim is based on his purchase of a Life Settlement in the amount of US$75,000, which had a guaranteed maturity amount of US$91,500. USI is contesting this Claim. A Motion to appoint a Receiver is presently scheduled to be heard on December 4, 2008. This CCAA application will afford protection to all stakeholders, including Mr. Bifolchi.

55. In attempting to recover the misappropriated funds in the amount of US$9 million, and in defending the Receivership Application, USI has incurred legal fees in the amount of approximately CDN$3.6 million.

Regulatory Compliance

56. Since an OSC ruling dated September 29, 2006, a copy of which is attached as Exhibit "C" hereto, USI has been operating under new regulatory restrictions imposed by the OSC. These restrictions have resulted in decreased cash flow and profits to USI while it underwent the process of obtaining securities registration.

Corporate indebtedness

57. On or about October 19, 2007, USI borrowed CDN$1.8 million from private lenders to fund operations. USI signed a demand promissory note in favour of the lenders (the "Promissory Note"), which Promissory Note was due on November 30, 2008. A balance of CDN$1.35 million, plus accrued interest, is now due and payable.

Restructuring USI

Rationale

58. If the relief sought in these proceedings is granted, USI anticipates that it will be able to maintain premium payments, in which case there is a strong likelihood, based on the age distribution and expected maturity rates of the Policies, that significant cash flows will be generated during the course of the next six years so that Purchasers are paid in accordance with their Life Settlement contracts to the fullest extent possible. Subject to administration, financing and premium costs, the Purchasers will receive more than they would have received were the policies to have been liquidated on a "fire sale" basis.

59. The age distribution of the Insureds under the Policies held by USI is as follows:

Age Range of Insured	Face Value of Policies	No. of Policies
<70 Years Old	$ 16,816,875.00	54
70 – 75	$ 2,934,066.38	7

76 – 80	$ 18,349,031.00	13
81 – 85	$ 63,357,431.00	19
>85 Years Old	$ 85,765,464.00	41
Total	$187,222,867.38	134

60. The expected maturity dates based on each Insured's life expectancy plus 24 months is:

	Face Value of Policies	**No.of Policies**
<=2008	$ 24,482,014.00	51
2009	$ 25,096,793.00	20
2010	$ 46,437,190.00	25
2011	$ 21,990,800.00	7
2012	$ 41,057,312.00	11
2013	$ 10,375,000.00	9
2014	$ 7,300,000.00	3
>2014	$ 10,483,758.38	8
Total	$187,222,867.38	134

61. It is USI's intention to submit a Plan of Arrangement which, if approved, will permit it to maintain the Policies in good standing and fund ongoing operations. As of the date of the Initial Order, however, USI seeks an Order permitting it to:

(a) Continue paying out of the Premium Reserves any premiums on policies for which those reserves were previously allocated;

(b) Impose a temporary moratorium on the payment to Purchasers of monies USI receives as Death Benefits on policies;

(c) Minimize premium payments to core amounts;

(d) Extract any existing cash surrender value from policies;

(e) Sell certain of the policies owned directly by USI;

(f) Pursuing its efforts to recover misappropriated funds; and

(g) Pursue other sources of financing.

a) Continued use of Premium Reserves

62. Commencing on the date of the Initial Order herein, and continuing until further Order of this Court, USI seeks leave to continue paying out of the Premium Reserves any premiums on policies for which those reserves were previously allocated, without prejudice to the Company seeking authorization of the Court in future to use these funds for other purposes if the Court deems it appropriate.

63. USI has prepared a Projected Cash Flow Statement which reflects its intended use of its operating funds from the date of the Initial Order until January 15, 2009, a copy of which is attached hereto as Exhibit "D". As appears from this Statement, operating funds will be used to pay premiums for which there are no reserves until further Order of the Court.

b) Moratorium on Death Benefits

64. USI also seeks a temporary moratorium, until further Order of this Court, on any payment to Purchasers of monies to Purchasers. Any monies USI receives as Death Benefits on policies will be held in an escrow account until further Order of this Court.

65. USI anticipates that it will submit a Plan of Arrangement for approval which will contain a distribution methodology for all new maturities received by USI.

c) Extracting any existing cash value from policies

66. USI has requested that all of the insurers provide it with an updated policy illustration and verification of coverage. The verification of coverage will indicate whether there is a cash value ("CV") for that particular policy.

67. If there is a CV, then USI will have the ability to draw down on the CV so long as the face value of the policy does not get reduced and negatively impact the Purchasers allocated to that particular policy.

d) Minimizing premium payments to core amounts

68. The verification of coverage will also identify all the components that build-up the premium for that policy. It may be possible for USI to "strip down" the premium payment to meet the bare cost of insurance without letting the policy lapse. Such "stripping down" of the premium is common practice in the Life Settlement industry.

e) Selling corporate owned Policies

69. Among the Life Settlements owned directly by USI is the remainder of the TPI Portfolio which has a face value of approximately US$36 million. The Policies in the TPI Portfolio relate to terminally ill people, most of whom suffer from Acquired Immune Deficiency Syndrome.

70. USI is currently negotiating the sale of this portfolio and has received what USI believes to be a *bona fide* offer from a third party in the amount of approximately US$1.6 million. USI believes this price is reasonable. The asset value is of significantly lower quality than the asset value of the other policies held by USI. Given the Premium Load that attaches to this Portfolio and the lesser quality of the asset, USI has been attempting to sell this Portfolio in its totality for some time. The market value of the Life Settlements which make up the TPI Portfolio has dropped significantly in the past few years as the mortality rates of the Insureds have improved dramatically due to medical advances.

f) Seek recovery of misappropriated funds

71. If authorized by the Court, USI also proposes to aggressively pursue its legal claims to recover the US$9 million misappropriated funds, both in the U.S. and in Canada.

g) Pursue other sources of financing

72. Subsequent to the Initial Order, USI will consider other financing alternatives to ensure that there is sufficient cash available to maintain the premiums on the policies and thereby realize their face values.

Monitor

73. Ernst & Young Inc. ("E&Y") has consented to act as the Monitor of USI in these proceedings. As such, E&Y will oversee the management of USI on a day-to-day basis, including oversight in respect of the implementation of the Initial Order and of any further Orders of this Court.

74. It is contemplated that the Monitor would be granted a Court-ordered charge (the "Administration Charge") in respect of its fees and disbursements, and those of its and USI's legal counsel, incurred at the standard rates and charges of such parties over the assets, property and undertaking of USI, which Administration Charge is to be in the aggregate amount of $1 million.

Directors' and Officers' Protection

75. USI's financial difficulties are not of its own making. Nevertheless, we have made every effort to ensure the survival of the business enterprise, including borrowing operating funds on the strength of personal guarantees.

76. A successful restructuring of USI, and the ongoing management of its affairs, can best be achieved with the continued participation of USI's Directors and Officers, namely Mr. Panos, Mr. Khan and myself (the "Senior Management Team").

77. In order to protect the Senior Management Team from liability for any amounts owing by USI upon the commencement of CCAA proceedings, including without limitation any employee-related obligations, and in order to protect the Directors and Senior Management

Team during their ongoing management of USI, USI requests a Court-ordered charge of $1 million over its assets, property and undertaking to indemnify Directors and Officers in respect of any liabilities they may incur from and after these proceedings (the "D&O Charge").

78. In addition, USI seeks on Order staying all proceedings that might be taken in respect of USI, and the Senior Management Team .

Trustees' Protection

79. USI also seeks an Order of protection for the former trustees of the US Trust and the USI Trust, myself and William Potoczak (the "Trustees"). Specifically, it seeks an Order staying all proceedings that might be taken in respect of the Trustees that arose before the date of the Order and that relates to any obligations of the Applicant, and an undertaking to indemnify the Trustees in respect of any liabilities they may incur from and after these proceedings.

Priorities of Charges

80. It is contemplated that the priorities of the various charges set-out herein will have the following priorities:

(a) First: the Administration Charge to a maximum of $1 million;

(b) Second: the D&O Charge to a maximum of $1 million.

Notice to Creditors

81. Immediately following an Initial Order, the Monitor, with the assistance of USI and relying on USI's records, proposes to give notice of these proceedings to all Purchasers and other creditors, to be followed by a "come-back" hearing to take place on or about December 18, 2008 (subject to the Court's availability).

82. At the December 18th hearing, the Monitor will provide a report which will contain an update on cash flows, an update on efforts to raise interim DIP financing, a report on discussions with stakeholders and the development and proposed timing for presentation of a Plan of Arrangement and any other relevant matters.

83. If it appears that additional funding is required prior to any Plan of Arrangement being approved, USI proposes to return to court to seek specific authorization and approval.

84. I make this affidavit in support of USI's Application pursuant to the CCAA, and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on December 2, 2008. D. McNamara Commissioner for Taking Affidavits	CHRISTOPHER HALAS

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.

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF CHRISTOPHER HALAS
(SWORN DECEMBER 2, 2008)

OGILVY RENAULT LLP
Royal Bank Plaza, South Tower
3800 - 200 Bay Street
Toronto ON M5J 2Z4

William McNamara (LSUC#: 23153S)
Tel: (416) 216-3906
Fax: (416) 216-3930

Lawyers for the Applicant

This is Exhibit "A" referred to in the affidavit of Christopher Halas sworn before me, this 2nd day of December 2008.

W. McNamara

A COMMISSIONER FOR TAKING AFFIDAVITS

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

PURCHASE AGREEMENT

PRINT NEATLY AND ACCURATELY
THIS PURCHASE AGREEMENT IS INTENDED FOR THE PURCHASE OF U.S. LIFE INSURANCE POLICIES OR OF BENEFITS THEREUNDER

THIS PURCHASE AGREEMENT ("AGREEMENT") is made effective this _____ day of ____________, in the year of ________, by and between **UNIVERSAL SETTLEMENTS INTERNATIONAL INC.,** of 5353 North Service Road, Burlington, Ontario, Canada, L7L 5H7, hereinafter called **"UNIVERSAL SETTLEMENTS"** and

ACCOUNT REGISTRATION:

Individual or Joint Account

First Name ______ Middle Initial ______ Last Name ______ Social Insurance (SIN) ___-___-___ Date of Birth ___/___/___

Joint Owner(s) (joint ownership means "Joint Tenants With Rights of Survivorship" Unless otherwise specified). ______ Social Insurance (SIN) ___-___-___ Date of Birth ___/___/___

OR **Gift/Transfer To A Minor**

Name of Custodian (one only) ______ **As Custodian For** ______ Minor's Name (one only)

Province of Residence ______ **Uniform Gifts/Transfer to Minors Act** ___-___-___ Minor's Social Insurance (SIN)

OR **Trust, Corporation, Partnership, Retirement Plan, Other Entity, Or Contingent Beneficiary**

Name ______ Social Insurance (SIN) ___-___-___

Name of Beneficiary (if to be included in the Registration) ______ Date of Trust Document (must be completed for registration) ___/___/___

Name of Each Trustee (if to be included in the Registration) ______ ______ ______

ADDRESS

Street Address ______

City ______ Province ______ Postal Code ______ Daytime Phone ( ) - Evening Phone ( ) -

I am a citizen of: ☐ Canada or ______ Country of Residence ______ Email address

hereinafter called "PURCHASER".
WITNESSETH:

WHEREAS: UNIVERSAL SETTLEMENTS is in the business of identifying and purchasing, as an agent for third party PURCHASER'S, all related death benefits of U.S. life insurance policies meeting certain specified criteria; and,

WHEREAS: PURCHASER and UNIVERSAL SETTLEMENTS desire to have UNIVERSAL SETTLEMENTS represent PURCHASER as an agent for the sole purpose of purchasing a U.S. Life Settlement, in accordance with the "Purchase Instructions" and "Minimum Criteria" described in Section Four and Section Five hereof and in accordance with such other terms and conditions as are set forth herein;

NOW, THEREFORE: IN CONSIDERATION OF THE MUTUAL COVENANTS AND PROMISES CONTAINED HEREIN, UNIVERSAL SETTLEMENTS AND PURCHASER AGREE AS FOLLOWS:

SECTION ONE—DEFINITIONS

FOR THE PURPOSE OF THIS AGREEMENT THE FOLLOWING TERMS SHALL HAVE THE MEANINGS SET FORTH BELOW:

Allocated:	Monies designated for the purchase of the death benefits of a Policy (ies).
Assigned:	Monies that have been placed on specific Policy (ies) that have been medically & insurance underwritten.
Close:	Date when Policy (ies) has had a final change of ownership and/or beneficiary designation recorded.
Delivered Notice:	Written document delivered in person or deposited in mail, certified/postage paid, or other private carrier service(s), prepaid, addressed in accord with the addresses of each respective party as entered herein above. Such addresses may be changed from time-to-time by either party by providing prior, written notice to the other party.
Funds:	Any monies exchanged hereunder which are clear and collected.
Guaranteed Maturity Date:	The date calculated from the Life Expectancy Evaluation Date PLUS the Life Expectancy PLUS 24 months.
Guaranteed Value:	The amount of deposit at time of purchase.
Guaranteed Value Date:	The date calculated from the Life Expectancy Evaluation Date PLUS the Life Expectancy.
Life Expectancy:	The probable life span of an individual or class of persons determined statistically, affected by such factors as heredity, physical condition, nutrition, occupation, and age.
Life Expectancy Evaluation Date:	The date the Life Expectancy is determined by a qualified Life Expectancy evaluator.
Life Insured:	The person whose death benefits are purchased as a Life Settlement.
Life Settlement:	Life Settlements are a financial vehicle involving the purchase of the death benefits of life insurance policies at a discount.
Operating costs:	General costs of doing business and acquiring policies, including, but not limited to medical reviews, legal fees, shipping, postage, consulting and sales fees, telephone charges, copying, data processing and closing costs.
Parties:	UNIVERSAL SETTLEMENTS and PURCHASER.
Policy:	A U.S. life insurance policy.
Policy Maturity:	The death benefit of a Policy that has become payable because of the death of the Life Insured.
Purchase Deposit:	The amount of Funds deposited by PURCHASER in the escrow account pursuant to this AGREEMENT.
Rated Insurance Company	An insurance company or a reinsurance company with a "B+" or better rating applied by either A.M. Best, Moodys or Standard & Poors independent evaluators.
Trustee:	Third party Administrator.

SECTION TWO—PURCHASER REPRESENTATIONS AND WARRANTIES (TO BE INITIALED BY PURCHASER)

a)_____ PURCHASER represents and warrants that PURCHASER is a resident of the country/province/state set forth above and is over twenty-one years of age (or the age of majority in such country/province/state). PURCHASER further represents and warrants that all information relating to PURCHASER set forth herein is true and correct to the best of PURCHASER'S knowledge.

b)_____ PURCHASER represents and warrants that PURCHASER is sophisticated in financial matters and has sufficient knowledge and experience in financial, business and tax matters to be able to evaluate the risks and merits of entering into Life Settlement(s); that PURCHASER has adequate means of providing for PURCHASER'S financial needs (including PURCHASER'S future financial needs); that PURCHASER has no need for liquidity with respect to any purchase made hereunder; that PURCHASER is able to bear the economic risk of the purchase of one or more Life Settlement(s) hereunder which bear a reasonable and prudent relationship to PURCHASER'S own net worth.

c)_____ PURCHASER acknowledges and confirms that PURCHASER has been advised to rely on PURCHASER'S own professional financial, legal and tax advisors with respect to the risks and merits of Life Settlement(s) and that PURCHASER has, to the extent PURCHASER deemed necessary, obtained such advice with respect to the suitability of entering into one or more Life Settlement(s) in light of PURCHASER'S financial condition and needs.

d)_____ PURCHASER acknowledges and confirms that UNIVERSAL SETTLEMENTS has provided or made available to PURCHASER or PURCHASER'S personal representatives, legal counsel or advisors, such information as a reasonable person would attach significance to in connection with considering whether to enter into this AGREEMENT. PURCHASER has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning Life Settlement(s), and PURCHASER has been able to make an informed decision to enter into the AGREEMENT. PURCHASER further represents and warrants that PURCHASER has not relied upon any representations, warranties, covenants or statements of UNIVERSAL SETTLEMENTS (or any of its representatives) in determining whether to enter into this AGREEMENT other than the representations, warranties, covenants and statements of UNIVERSAL SETTLEMENTS set forth herein.

e)_____ PURCHASER represents and warrants that PURCHASER has read and understands this AGREEMENT and has considered the following risk, among others, in connection with Life Settlements: (i) PURCHASER will receive no payment until the death of the Life Insured and, as a result, there is no guarantee that the death benefits purchased will be paid to the PURCHASER within the estimated program period; (ii) medical advances or other factors could alter the diagnosis or could prolong the life of a Life Insured resulting in a modification of the Life Insured's Life Expectancy and a corresponding delay in the payment of the death benefit to PURCHASER; (iii) PURCHASER'S payment is dependent upon the insurance company paying the death benefit on the Policy Maturity; and (iv) prior to the Guaranteed Maturity Date, PURCHASER may be unable to liquidate its ownership interest.

f)_____ PURCHASER further acknowledges and agrees that PURCHASER understands the representations and warranties made herein and hereby indemnifies and holds harmless UNIVERSAL SETTLEMENTS and its agents, representatives, consultants, employees, and affiliates from any and all costs, damages or liabilities including reasonable legal fees and expenses due to or arising out of a breach of any representation or warranty made herein by PURCHASER.

g)_____ PURCHASER acknowledges that the cost and fees for all services, (Operating costs including: physician's fees, legal fees, consultants' fees, Trust Account costs, and fees to UNIVERSAL SETTLEMENTS) provided by UNIVERSAL SETTLEMENTS in accordance with the AGREEMENT are included in the Purchase Deposit.

h)_____ PURCHASER has the option to withdraw a portion or total amount of the GLS® II Program(s) Guaranteed Value from the Guaranteed Value Date onwards. PURCHASER further understands that such withdrawal forfeits the right to any unrealized gain accordingly.

i)_____ PURCHASER understands that the purchase Class can be subject to availability.

j)_____ PURCHASER knows the monthly return for their chosen Class. Once Assigned to a Policy, USI will calculate Total Return by multiplying the number of months of the actual Life Expectancy by the monthly return percentage as per Class below in Section Four. The actual date of Policy Maturity may occur before or after the Life Expectancy, but Total Return remains the same. As such, returns are tied directly to the projected Life Expectancy of the Life Insured(s).

k)_____ There is no guarantee that the death benefit of the Policy will be paid to the PURCHASER within the Life Expectancy. PURCHASER further acknowledges that medical advances and other factors could alter the diagnoses of a Life Insured after the Life Settlement is Closed. Such an altered diagnosis will not permit PURCHASER to rescind the transaction; the sole right of rescission being that set forth in Section Three.

l)_____ PURCHASER hereby authorizes UNIVERSAL SETTLEMENTS to: 1) Enter into Funds Transfer Agreements and Instructions to facilitate any Life Settlement(s) and/or death benefit to be paid directly to PURCHASER or any person PURCHASER so subsequently designates; 2) File, complete and record any document(s) reflecting the assignment of benefits with the insurance carrier of any Policy and/or death benefits purchased hereunder; and 3) Do any and all other actions which may be necessary to facilitate a Life Settlement(s). PURCHASER hereby directs Trustee to adhere to all directives and instructions received from UNIVERSAL SETTLEMENTS.

SECTION THREE—RIGHT OF RESCISSION

PURCHASER is entitled to a full refund upon written request within ten (10) days of the date of this AGREEMENT. Following the ten (10) day rescission period, PURCHASER may receive a full refund of all non-Allocated and Allocated Funds of the original purchase with a fifteen (15) percent rescission fee assessed on the balance of Funds requested for refund. A request for rescission must be by Delivered Notice to UNIVERSAL SETTLEMENTS. All rescissions meeting the aforementioned criteria will be processed within thirty (30) days of delivery.

SECTION FOUR—PURCHASE INSTRUCTIONS

PURCHASER hereby agrees to deposit the sum of U.S.$_____________._____ (referred to as "Purchase Deposit"). PURCHASER acknowledges that the Trustee is not acting on behalf of PURCHASER with respect to this AGREEMENT. PURCHASER hereby authorizes the Trustee to pay all or part of the Purchase Deposit as directed by UNIVERSAL SETTLEMENTS. The Purchase Deposit is for the purpose of UNIVERSAL SETTLEMENTS purchasing the death benefit of one or more U.S. policies (or portions thereof) and completing Life Settlements on behalf of PURCHASER. The firm designated in the trust/escrow agreement is authorized to pay closing costs and fees and expenses and to release Purchase Deposit upon the closing of each Life Settlement. PURCHASER hereby appoints UNIVERSAL SETTLEMENTS to act as PURCHASER'S agent in the negotiation and consummation of one or more Life Settlement(s) which meet or exceed the minimum criteria set forth below with the total amount divided between the programs as follows:

	Class	Life Expectancy (months)	Monthly Return	Amount of Purchase (U.S. dollars)
GLS®	A	0 - 36	0.75%	$_______________
	B	37 - 54	0.80%	$_______________
	C	55 - 76	0.85%	$_______________
	Select	77 and up	1.00%	$_______________

	Class	Life Expectancy (months)	Monthly Return	Amount of Purchase (U.S. dollars)
GLS® II	A	0 - 36	0.90%	$_______________
	B	37 - 54	0.95%	$_______________
	C	55 - 76	1.00%	$_______________
	Select	77 and up	1.10%	$_______________

TOTAL $_______________

SECTION FIVE—MINIMUM CRITERIA

A third party Trustee must be named as Owner, unless otherwise required by law, and in special circumstances beneficiary of the Policy(ies) to track patient progress, monitor patient medical history and, upon Policy Maturity, file claim(s).

Trustee will pay Policy(ies) premiums until Policy Maturity(ies).
Purchase the death benefit of a Policy(ies) issued and/or underwritten in whole and/or in part through a Rated Insurance Company(ies) at the time the Purchase Deposit is Allocated [waived by PURCHASER, initial here] ________

The GLS® Program(s) Guaranteed Maturity Date is calculated from the Life Expectancy Evaluation Date PLUS the Life Expectancy PLUS 24 months, or earlier as determined by UNIVERSAL SETTLEMENTS and/or the bonding/reinsurance company.

The GLS® II Program(s) Guaranteed Value Date is calculated from the Life Expectancy Evaluation Date PLUS the Life Expectancy.

FURTHERMORE:
This AGREEMENT shall be binding not only upon the Parties to this AGREEMENT hereto but also upon their legal representatives, successors and assigns. The rights and obligations under this AGREEMENT shall inure to and be binding upon the successors-in-interest, heir's assigns, executors and administrators of the Parties hereto. Each party hereof represents that it or its representative has the requisite authority to enter into this AGREEMENT. This AGREEMENT shall be governed and construed under the laws of the province of Ontario, Canada. The jurisdiction of all actions arising out of this AGREEMENT and/or relating to its validity shall be in the province of Ontario and the Parties stipulate and agree that the venue for any actions shall be in Waterloo County.

This AGREEMENT contains the entire agreement of the Parties regarding the subject matter hereto and there are no other promises or conditions in any other agreement whether oral or written. No other representations, agreements, or covenants, whether written or oral, shall govern this relationship. PURCHASER understands and acknowledges that the obligations of UNIVERSAL SETTLEMENTS are exclusively as set forth in this AGREEMENT and that no representations, statements or warranties which may have been made by representatives of UNIVERSAL SETTLEMENTS shall be binding on UNIVERSAL SETTLEMENTS.

IN WITNESS WHEREOF, the Parties hereto have executed this AGREEMENT as of the date first written above.

REPRESENTATIVE (Signature)

REPRESENTATIVE (Print Name) **CODE #**

UNIVERSAL SETTLEMENTS PRINCIPAL

PURCHASER (Signature)

PURCHASER (Print Name) **SIN #**

JOINT PURCHASER (Signature)
(Joint PURCHASER means "Joint Tenant With Rights of Survivorship" unless otherwise specified)

JOINT PURCHASER (Print Name) **SIN #**

REQUIRED ATTACHMENTS

1. This AGREEMENT.
2. Purchase Deposit by cheque or wire made payable to:

UNIVERSAL TRUST

AGREEMENT MUST BE ORIGINAL – COPIES ARE NOT ACCEPTED.
SEND OVERNIGHT TO:

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
5353 NORTH SERVICE ROAD, SUITE 300
BURLINGTON, ONTARIO CANADA
L7L 5H7

DISCLOSURE

This disclosure is prepared to ensure that with respect to purchasing a Life Settlement(s); the purchaser has full understanding of all items listed below.

The undersigned purchaser understands as follows:

1. Life Settlements are illiquid until maturity.
2. Purchaser has adequate means of providing for his/her current financial needs and possible personal contingencies, and has no need for liquidity in his/her purchase.
3. The insured's life expectancy has been estimated by an independent reviewing physician. It is the estimated life expectancy that is used as the anticipated term of the policy holding period. The life expectancy underwriting is not an exact science, therefore, a Life Settlement could mature before or beyond the anticipated term (estimated life expectancy).
4. All purchase amounts and guaranteed payment amounts are in U.S. currency.
5. Universal Settlements' Life Settlement programs are intended only for the purchase of U.S. life insurance policies or of benefits thereunder.

I hereby fully understand the above items as hereinabove contained, this ________ Day of ________________20___.

______________________________ Witness

______________________________ Purchaser

This is Exhibit "B" referred to in the affidavit of Christopher Halas sworn before me, this 2nd day of December 2008

W. McNamara.

A COMMISSIONER FOR TAKING AFFIDAVITS

STATEMENT OF CLAIM
(Form 14A under the Rules)

LexWrite Document Preparation Software

Court File No.
CV-08-7720-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial Court

IN THE MATTER OF the Receivership of the undertaking, property, and assets of
UNIVERSAL SETTLEMENTS INTERNATIONAL INC.,
THE BROKERWISE GROUP INC. and 1508211 ONTARIO INC.

AND IN THE MATTER OF Section 248 of the
Business Corporations Act, R.S.O. 1990, c. B-16, as amended

AND IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended

BETWEEN:

RINO BIFOLCHI

Plaintiff

and

UNIVERSAL SETTLEMENTS INTERNATIONAL INC., THE BROKERWISE GROUP INC., 1508211 ONTARIO INC., JEFFREY PANOS, CHRIS HALAS, DAN PANOS, ELIZABETH BORTOLUS, SCOTT MCGREGOR, KEVIN CLARK, MICHAEL HALAS

Defendants

Proceedings commenced pursuant to Rule 10

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF'S CLAIM, AND $500.00 FOR COSTS, WITHIN THE TIME FOR SERVING AND FILING YOUR STATEMENT OF DEFENCE, YOU MAY MOVE TO HAVE THIS PROCEEDING DISMISSED BY THE COURT. IF YOU BELIEVE THE AMOUNT CLAIMED FOR COSTS IS EXCESSIVE, YOU MAY PAY THE PLAINTIFF'S CLAIM AND $500.00 FOR COSTS AND HAVE THE COSTS ASSESSED BY THE COURT.

Joanne Nicoara
Registrar, Superior Court of Justice

Date: SEP 1 0 2008

Issued by:____________________
Local Registrar
Address of Court Office:
330 University Avenue, 7th floor
Toronto, ON M5G 1R7

TO: UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
5500 North Service Road
Burlington, ON L7L 6W6

TO: THE BROKERWISE GROUP INC.
5500 North Service Road
Burlington, ON L7L 6W6

TO: 1508211 ONTARIO INC.
5500 North Service Road
Burlington, ON L7L 6W6

TO: JEFFREY PANOS
1100 Geran Cres.
Mississauga, ON L5H 3W4

TO: CHRIS HALAS
5500 North Service Road
Burlington, ON L7L 6W6

TO: DAN PANOS
3145 Queen Frederica Dr.
Mississauga, ON L4Y 3A7

TO: ELIZABETH BORTOLUS
25 Hanson Crt.
Woodbridge, ON L4L 4X8

TO: SCOTT MCGREGOR
1881 Deer's Wold
Mississauga, ON L5K 2G4

TO: KEVIN CLARK
1881 Deer's Wold
Mississauga, ON L5K 2G4

TO: MICHAEL HALAS
1881 Deer's Wold
Mississauga, ON L5K 2G4

CLAIM

1. The plaintiff claims on his own behalf and on behalf of all of the investors policies of USI (as defined below):

(a) an order pursuant to Rule 10.01 appointing the Plaintiff as a representative for all persons who are owed monies pursuant to policies of insurance held by the Defendants;

(b) An Order appointing an interim receiver for Universal Settlements International Inc. ("USI"), The Brokerwise Group Inc. ("Brokerwise") and 1508211 Ontario Inc. ("1508");

(c) general damages in the amount of $100,000,000.00;

(d) special damages in the amount of $100,000,000.00;

(e) exemplary, punitive and aggravated damages in the amount of $50,000,000.00;

(f) an order pursuant to S. 248 of the *Ontario Business Corporations Act* finding the Defendant USI to have acted oppressively and requiring its shareholders The Brokerwise Group, 1508211 Ontario Inc. and officers Panos and Halas liable for all losses of the Plaintiff.

(g) an equitable tracing order against all Defendants other than USI for all funds or property improperly taken or transferred from USI without proper justification and contrary to the provisions of the *Ontario Business Corporations Act*.

(h) prejudgment and post judgment interest pursuant to the guarantees or alternatively the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended, where applicable;

(i) costs of this action on a substantial indemnity basis together with any applicable Goods and Services Tax payable pursuant to the *Excise Tax Act*, R.S.C. 1990. C. E-15; and,

(j) such further relief as this Honourable Court may deem just.

The Parties

2. The Plaintiff, is an individual residing in the Greater Toronto Area and is one of

the hundreds of investors solicited by USI to invest in terminal insurance policies. The Plaintiff seeks leave to be appointed a representative Plaintiff for all investors who are owed monies by the Defendants pursuant to Rule 10 of the Rules of the Court.

3. The Defendant, USI is a company incorporated pursuant to the Laws of Ontario. It is the operating company for the Defendants Panos and Halas and is selling terminal policies to the public.

4. The Defendants, Jeffrey Panos and Chris Halas are individuals residing in the Greater Toronto Area and are employees and principals of the Defendants, USI, The Brokerwise Group Inc. and 1508 Ontario Inc.

5. The Defendant, Brokerwise carries on business as holding company for USI and is a company incorporated pursuant to the laws of the province of Ontario and is owned and controlled by Jeffrey Panos. Brokerwise currently owns 50% of the shares of USI.

6. The Defendant, 1508 is a company incorporated pursuant to the laws of the province of Ontario and is the holder of the other 50% shares of USI. The Defendant 1508 is owned and controlled by Chris Halas.

7. The remaining Defendants are friends and family of the Defendants Panos and Halas and are residents of the Greater Toronto Area.

8. The Plaintiff is an investor amongst hundred of other investors in Ontario and abroad who purchased portions of life insurance policies and their corresponding death benefits from the Defendant USI. USI made a practice of soliciting financial advisors and agents to sell the portions of policies as investments to the public. In addition, these insurance policies were marketed to corporations and institutions as investments. The proposed representative Plaintiff is currently owed $91,500.00 plus accrued interest since February 29, 2008.

9. The premise of the marketing and sale of portions of life insurance policy was the fact that the returns would be substantial and the proceeds would be received by the investor tax-free as a result of being a payment of a death benefit of a life insurance policy. Further all investors including the Plaintiff were advised that the policy premiums for sustainability of the policies would be escrowed and in fact that was company policy. Further all investors were advised that the company carried insurance to ensure the investors were paid out whether the insured under the policy purchased died or not.

10. The Plaintiff states that the Defendants are in default in excess of $7,000,000 in current outstanding indebtedness owed to investors from the sale of policies for which they have not paid out investors based on guaranteed payment dates for the following policies set out below in Schedule "A". The Defendant USI has not honoured the payment to the investors as required under the said Certificates of Guarantee. In addition, based upon those guarantees an additional sum of approximately $2,000,000 of interest is owed upon those Guarantee certificates. The Defendant USI first defaulted in paying its investors in or about April 2007.

11. In addition, the Plaintiff states that based upon upcoming maturity dates, policies or guarantees have been made by the company in the next four months which total approximately $10,000,000 and in the following 12 months $42,000,000 based upon the attached Schedule "B".

12. The Plaintiff states that despite representations of the company that the company maintained adequate insurance in which to pay out guaranteed maturity dates the company with whom the Defendant USI arranged insurance has ceased to operate and there are no funds in which to pay out the guarantees. The Defendants have mislead investors by failing to advise them that their investments did not have insurance and have continued to conceal this fact from investors.

13. The Defendant USI has consistently delayed the payment to its investors and the Defendant USI has not made payment to its creditors when the said amounts are due.

14. The Plaintiff states that the Defendants have put the investors most of whom this is their retirement monies at serious risk by failing to honour the obligations. In addition to the guaranteed maturity dates there were guaranteed returns on each one of the certificates and those obligations continue to run. The Defendant has refused or neglected to make payment to all the investors.

15. The Plaintiff states the Defendants contrary to their obligations have failed to escrow premiums on certain investor policies contrary to their obligations under the terms of the

investments. These policies are SouthWestern Life policy number 0900119126 referred to by the Defendant USI as H.F.#497 and Columbus Life policy number CM413386u referred to by USI as C.E. 483. Colleetively these policies require the payment of monthly premiums of $125,000 per month. The Plaintiff states that there may be more however that is within the knowledge of the Defendants Halas and Panos.

16. The Plaintiff and the Members of the Class (as defined below) plead and rely upon *the Ontario Business Corporations Act* and the provisions of the *Rules of Civil Procedure.*

17. The Plaintiff states the Defendants Halas, Panos, Brokerwise and 1508 have engaged in entering into a cash transactions to avoid the disclosure on the books and have transferred policies and assets which are the assets of USI to the prejudice of their creditors without valid justification. They have also set up off-shore accounts to siphon funds outside the reach of the Ontario court's jurisdiction. They systematically assigned insurance policies which were the assets of USI to themselves and the other named Defendants namely their friends Dan Panos, Elizabeth Bortolus, Scott McGregor, Kevin Clark and Michael Halas, the particulars of which are as set out below.

a) Dan Panos maturity value of $111.000 USD
b) Elizabeth Bortolus maturity value of $300,000 USD
c) Scott McGregor maturity value of $6,800 USD
d) Kevin Clark maturity value of $4500 USD
e) Michael Halas maturity value of $12,000 USD

18. The Plaintiff states that there have been other conversion of corporate assets contrary to S. 248 which are not known at this time and are within the knowledge of the Defendants.

19. In addition, the Plaintiff claims that there are other policies which are unknown to it and which have been assigned to the Defendants other than USI without consideration.

DAMAGES

20. As a result of the breaches as pleaded above, the Plaintiffs have suffered loss and damages, the particulars of which include:

(a) damages equivalent to the guaranteed investment payout plus interest owed from the date of the breached guaranteed payment date..

21. The Plaintiffs have suffered and continue to suffer damages as a result of the Defendants' wrongful acts and omissions as alleged above.

REPRESENTATIVE PLAINTIFF

22. The particulars of the investment made by the representative Plaintiff are pleaded above. The representative Plaintiff is the holder of a USI policy of investment. The Plaintiff representative has suffered the damages as pleaded above. The Plaintiff seeks leave pursuant to Rule 10 to act as a representative Plaintiff.

23. The Plaintiff proposes that this action be tried at the City of Toronto, in the Province of Ontario.

September 10, 2008

LEVINE, SHERKIN, BOUSSIDAN
A Professional Corporation of Barristers
23 Lesmill Road, Suite 300
Toronto, ON M3B 3P6

Kevin D. Sherkin - LSUC# 27099B
Tel: (416) 224-2400
Fax: (416) 224-2408

Solicitors for the Plaintiff

SCHEDULE "A"

Redacted

SCHEDULE "B"

Redacted

RINO BIFOLCHI	and	UNIVERSAL SETTLEMENTS INTERNATIONAL INC.,THE BROKERWISE GROUP INC., 1508211 ONTARIO INC., JEFFREY PANOS, CHRIS HALAS, DAN PANOS, ELIZABETH BORTOLUS, SCOTT MCGREGOR, KEVIN CLARK, MICHAEL HALAS
Plaintiff		**Defendants**

CV-08-7720-C
Court File No.

Short Style of Proceeding

ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial Court
Proceeding commenced at Toronto

IN THE MATTER OF the Receivership of the undertaking, property, and assets of
UNIVERSAL SETTLEMENTS INTERNATIONAL INC.,
THE BROKERWISE GROUP INC. and 1508211 ONTARIO INC.

AND IN THE MATTER OF Section 248 of the *Business Corporations Act*, R.S.O. 1990, c. B-16, as amended

AND IN THE MATTER OF Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended

STATEMENT OF CLAIM

LEVINE, SHERKIN, BOUSSIDAN
A Professional Corporation
23 Lesmill Road, Suite 300
Toronto, ON M3B 3P6

KEVIN D. SHERKIN - LSUC # 27099B
Tel: (416) 224-2400
Fax: (416) 224-2408

Solicitors for the Plaintiff

SUPERIOR COURT OF JUSTICE / COUR SUPÉRIEURE DE JUSTICE
FILED / DÉPOSÉ
SEP 10 2008
AT / À
LOCAL REGISTRAR - GREFFIER LOCAL
TORONTO

This is Exhibit "C" referred to in the affidavit of Christopher Halas sworn before me, this 2nd day of December 2008

W. McNamara.

A COMMISSIONER FOR TAKING AFFIDAVITS

IN THE MATTER OF

THE SECURITIES ACT,

R.S.O. 1990, CHAPTER S.5, AS AMENDED

(the Act)

AND

IN THE MATTER OF

UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

ORDER

Section 127

WHEREAS on January 16, 2006, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act* in relating to a Statement of Allegations issued by Staff of the Commission on the same day in respect of Universal Settlements International Inc. (USI);

AND WHEREAS Staff filed an amended Statement of Allegations on May 24, 2006;

AND WHEREAS the Commission conducted a hearing in this matter on June 26, 28, 30, July 6 and 27, 2006;

AND WHEREAS in its Decision and Reasons, the Commission has determined that the interests in death benefits of life insurance policies from insured persons (viators) offered by USI are securities under subsection 1(1) of the *Securities Act*;

AND WHEREAS the Commission is satisfied that Universal Settlements International Inc. has not complied with Ontario securities law and has not acted in the public interest;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

1. Pursuant to clause 2 of subsection 127(1) of the Act, USI permanently cease trading in securities unless:

   (a) USI fulfills the registration and prospectus requirements in Ontario securities law; or

   (b) USI meets the requirements for an exemption in Ontario securities law;

2. USI and its agents are hereby exempted from the cease trade order and, prospectively only, the registration and prospectus requirements of the Act, but only to the extent necessary for them to complete tasks relating to existing investments of investors. This exemption does not apply to acts in furtherance of trades relating to moneys from investors that have not already been committed to the life insurance policies of specific viators. Such moneys should be returned to the investors, forthwith;

3. there will be no order as to costs.

Dated at Toronto, this 29th day of September, 2006.

"Paul M. Moore"

"Harold P. Hands"

"Wendell S. Wigle"

This is Exhibit "D" referred to in the affidavit of Christopher Halas sworn before me, this 2nd day of December 2008

W. McNamara.

A COMMISSIONER FOR TAKING AFFIDAVITS

UNIVERSAL SETTLEMENTS INC. PROJECTED WEEKLY CASH FLOW
NON-POOLED
For the Period Ending January 31, 2009
As at Nov. 28, 2008

Notes and Assumptions:

1. All balances are in Canadian dollars. USD are converted at $0.85

2. Non-Pooled Rolling Forecast identifies separately USI Inc. Operating Cash Account, the Excess Premium Account and the Premium Escrow Account.

3. Receipts:
   (a) Due to uncertainty of timing of collection, no maturity receipts are forecasted in cash receipts.
   Retail Investor Maturities: $1,220K represents amounts due from insurance companies for death benefits to be collected and paid out to Investors; receipts and payments not included in cash flow due to u
   Trade Partners Maturities: $439K balance of USI maturities owned by USI still awaiting collection from the insurance companies; receipt not included in cash flow due to uncertainty.
   (b) Annuity receipts are per contracted dates.
   (c) Rent is for a sub-lease tenant.

4. Disbursements:
   (a) Business expenses are forecasted based on historical run rates.
   (b) Premiums are paid for all policies including Investor and Corporate.
   (c) Legal fess totaling $131K during the period are for the litigation with the USI ex-President and litigation in the United States. Any recoveries are to the benefit of USI.
   (e) Maturities Paid Out: There is $144K of death benefits to be paid to Investors which is not included in the CCAA projected weekly cash flow.
   (f) Commission - Pre-filing commissions of $35K not included in the CCAA projected weekly cash flow.
   (g) Consulting fees include marketing, investor communications, translation (plus expenses).
   (h) Ongoing business legal fees relate to litigation and arbitration cases. Material balances due to BLG and Pepper Hamilton.
   (i) Restructuring costs relate to the Advisor/Monitor and Legal fees associated with the USI Inc. CCAA process.

USI Inc. Operating Account

Canadian $ - USD balances converted at $0.85

Week Starting (Sun)	Nov-23	Nov-30	Dec-07	Dec-14	Dec-21	Dec-28	Jan-04	Jan-11	Jan-18	Jan-25	Total
Week Ending (Sat)	Nov-29	Dec-06	Dec-13	Dec-20	Dec-27	Jan-03	Jan-10	Jan-17	Jan-24	Jan-31	
	Proforma	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Opening Cash Balance		1,303,106	1,168,423	933,405	477,845	386,584	286,485	106,243	-268,125	-362,900	
Receipts											
Annuities		165,512	0	0	0	0	0	0	0	0	165,512
Rent Income from Sublease		0	0	0	10,462	0	0	0	0	10,462	20,924
Policy Cash Value		0	0	0	0	0	0	0	0	0	0
Receipt Sub-Total		165,512	0	0	10,462	0	0	0	0	10,462	186,436
Disbursements											
Business Expenses											
Rent		19,082	0	0	0	19,082	0	0	0	0	38,164
Compensation and Benefits		20,684	0	40,789	0	20,684	0	40,789	0	18,800	141,747
Other Direct Costs (Phone, Insurance, Etc.)		720	300	2,500	700	720	300	2,500	700	720	9,160
Legal Fees		0	0	0	72,470	0	0	0	58,824	0	131,293
Consulting		0	0	15,000	0	0	0	15,000	0	20,588	50,588
Travel and Misc. Expenses		12,000	0	3,000	0	0	0	3,000	0	0	18,000
Portfolio Related Expenses											
Premium Payments: Investor Related		129,474	228,214	1,561	17,647	33,916	169,964	73,885	18,282	5,354	678,297
Premium Payments: Corporate Related		68,235	6,504	22,415	10,907	20,402	9,979	24,194	16,675	6,535	185,846
Medicals, Death Certificates, Etc		0	0	294	0	0	0	0	294	0	588
Portfolio Administrative Charges		0	0	0	0	5,294	0	0	0	5,294	10,588
Restructuring Costs											
Advisor/Monitoring		50,000	0	220,000	0	0	0	115,000	0	0	385,000
Legal		0	0	150,000	0	0	0	100,000	0	0	250,000
Disbursement Sub-Total		300,195	235,017	455,560	191,723	100,099	180,243	374,368	94,775	57,282	1,899,272
Net Cash Flow		-134,683	-235,017	-455,560	-81,261	-100,099	-180,243	-374,368	-94,775	-46,830	-1,712,836
Ending Cash Balance	1,303,106	1,168,423	933,405	477,845	386,584	286,485	106,243	-268,125	-362,900	-409,730	

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Excess Premium Escrow Account Cash Flow

Canadian $ - USD balances converted at $0.85

Week Starting (Sun)	Nov-23	Nov-30	Dec-07	Dec-14	Dec-21	Dec-28	Jan-04	Jan-11	Jan-18	Jan-25	
Week Ending (Sat)	Nov-29	Dec-06	Dec-13	Dec-20	Dec 27	Jan-03	Jan-10	Jan-17	Jan-24	Jan-31	
	Proforma	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Opening	65,960	65,960	33,247	0	0	0	0	0	0	0	
Premium Payment	0	-32,713	-33,247	0	0	0	0	0	0	0	-65,960
Dividends & Interest	0	0	0	0	0	0	0	0	0	0	6,059
Net Cash Flow	**0**	**-32,713**	**-33,247**	0	**0**	**0**	0	**0**	0	0	
Closing	**65,960**	**33,247**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	

Premium Reserve Account Cash Flow

Canadian $ - USD balances converted at $0.85

Week Starting (Sun)	Nov-23	Nov-30	Dec-07	Dec-14	Dec-21	Dec-28	Jan-04	Jan-11	Jan-18	Jan-25	Total
Week Ending (Sat)	Nov-29	Dec-06	Dec-13	Dec-20	Dec-27	Jan-03	Jan-10	Jan-17	Jan-24	Jan-31	
	Proforma	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Opening	4,989,316	4,989,316	4,989,057	4,847,781	4,847,781	4,802,407	4,683,293	4,562,051	4,547,463	4,581,345	
Annuity	0	0	0	0	0	0	0	0	74,118	54,118	128,235
Reserve Premiums Payments	0	259	141,276	0	45,374	119,114	121,242	14,588	40,235	0	482,089
Net Cash Flow	0	-259	-141,276	0	-45,374	-119,114	-121,242	-14,588	33,882	54,118	
Closing	**4,989,316**	**4,989,057**	**4,847,781**	**4,847,781**	**4,802,407**	**4,683,293**	**4,562,051**	**4,547,463**	**4,581,345**	**4,635,463**	

Pooled Benefits Reserve Due to Investors

Canadian $ - USD balances converted at $0.85

Week Starting (Sun)	Nov-23	Nov-30	Dec-07	Dec-14	Dec-21	Dec-28	Jan-04	Jan-11	Jan-18	Jan-25	Total
Week Ending (Sat)	Nov-29	Dec-06	Dec-13	Dec-20	Dec-27	Jan-03	Jan-10	Jan-17	Jan-24	Jan-31	
	Proforma	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Opening		144,273	144,273	144,273	144,273	144,273	144,273	144,273	144,273	144,273	
Add: New Benefits Paid by Insurance Companies		0	0	0	0	0	0	0	0	0	0
Less: Distributions to Investors		0	0	0	0	0	0	0	0	0	0
Closing	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	**144,273**	

Court File No. __________

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ___	)	TUESDAY, THE 2nd
	)	
JUSTICE __________	)	DAY OF DECEMBER, 2008

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. (the "Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Halas sworn December 2, 2008 (the "Halas Affidavit") and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, and on reading the consent of Ernst & Young to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

FURTHER HEARING

3. THIS COURT ORDERS that a further hearing in this Application shall be made on notice to investors and held on ________________________ or such alternate date as this Court may fix, at which time this Order may be supplemented or otherwise varied, and the Stay Period (as herein defined) extended or terminated. The Applicant and the Monitor shall serve their materials for this further hearing on all parties who serve a Notice of Appearance on the Applicant and the Monitor, such materials to be served by no later than _________ days prior to the date scheduled for the further hearing.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall have the right to pursue the sale of its TPI Portfolio (as defined in the Halas Affidavit), in whole or part, subject to prior approval of any sale being obtained on further motion before this Court.

6. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; (c) to not grant credit or incur liabilities except in the ordinary course of the Business; (d) to make no payments of Death Benefits to investors; and (e) to hold Death Benefits received in the interim in an interest bearing trust account (the "Death Benefits Account").

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. THIS COURT ORDERS that until and including December 31, 2008, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

APPLICANT ENTITLED TO CONTINUE ITS OUTSTANDING LITIGATION AND ARBITRATION PROCEEDINGS

11. THIS COURT ORDERS that the Applicant shall be entitled to continue its outstanding litigation and arbitration proceedings, and pay all reasonable expenses incurred as a result thereof and as are in accordance the Projected Cash Flow Statement attached as Exhibit "D" to the Halas Affidavit, as follows:

(a) *Universal Settlements Inc. v. James Torchia, Marc Celello and National Viaticals Inc.*; and

(b) *Universal Settlements Inc. v. Antonio Duscio.*

NO EXERCISE OF RIGHTS OR REMEDIES

12. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

13. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs **[6(a)], [8(a)], [8(b)] and [8(c)]** of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

18. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for the indemnity provided in paragraph **[17]** of this Order. The Directors' Charge shall have the priority set out in paragraphs **[32]** and **[34]** herein.

19. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph **[17]** of this Order.

PROCEEDINGS AGAINST TRUSTEES

20. THIS COURT ORDERS that during the Stay Period no Proceeding may be commenced or continued against the Applicant's former trustees Christopher Halas and William Potoczak (the "Trustees") with respect to any claim against the Trustees that arose before the date hereof and that relates to any obligations of the Applicant whereby the Trustees are alleged under any law to be liable in their capacity as Trustees for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

TRUSTEES' INDEMNIFICATION

21. THIS COURT ORDERS that the Applicant shall hold harmless and indemnify the Trustees with respect to any claims of any kind which may be made against their respective Trusts and for which the Trustees or any of them may be held liable.

TRUST FUNDS

22. THIS COURT ORDERS that the trustee William Potoczak is entitled to use the US$300,000, which he holds in escrow in the ordinary course to fund the payment of premiums as they fall due and in accordance with specific insurance policies to which the funds have been designated, with such use to be monitored by the Monitor (as defined below).

23. THIS COURT ORDERS that Ogilvy Renault LLP is entitled to release US$779,000 out of the finds it holds in escrow for the Applicant, to the Applicant for the purposes of funding its operations.

24. THIS COURT ORDERS that Ogilvy Renault LLP is entitled to release the US$3,161,919.04 remaining balance of the funds it holds in escrow for the Applicant, to the Applicant for the purposes of establishing an account from which premium payments can be made (the "Premium Reserve Account"), with such payments to be monitored by the Monitor (as defined below).

APPOINTMENT OF MONITOR

25. THIS COURT ORDERS that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

26. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) send notice of the Order, within ten (10) days, to every known creditor of the Applicant as of the date of this Order, advising that such creditor may obtain a copy of the Order on the internet at the website of the Monitor at www.ey.com/ca/UniversalSettlements (the "Website") or, failing that, from the Monitor and the Monitor shall provide it. Such notice shall be sufficient in accordance with Subsection 11(5) of the CCAA;

(b) monitor the Applicant's receipts and disbursements, including without limitation the oversight of the Death Benefits Account and the Premium Reserves Account;

(c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(d) advise the Applicant in its development of the Plan and any amendments to the Plan;

(e) advise the Applicant in its preparation of the Applicant's cash flow statements;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

27. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the

Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

28. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amounts of $100,000, $50,000, and $50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs **[32]** and **[34]** hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

32. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

First – Administration Charge (to the maximum amount of $1 million); and

Second – Directors' Charge (to the maximum amount of $1 million).

33. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

34. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

35. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the Applicant also obtains the prior written consent of the Monitor, and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

36. THIS COURT ORDERS that the Directors' Charge and the Administration Charge, shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and

(b) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

37. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

38. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on the Website.

GENERAL

39. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

40. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

41. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other foreign jurisdiction to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

42. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is 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.

43. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

44. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

Court File No. 08-CL-7878

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	TUESDAY, THE 2nd
	)	
JUSTICE H. WILTON-SIEGEL	)	DAY OF DECEMBER, 2008

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. (the "Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Halas sworn December 2, 2008 (the "Halas Affidavit") and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, and on reading the consent of Ernst & Young to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

FURTHER HEARING

3. THIS COURT ORDERS that a further hearing in this Application shall be made on notice to investors and held on December 18, 2008 or such alternate date as this Court may fix, at which time this Order may be supplemented or otherwise varied, and the Stay Period (as herein defined) extended or terminated. The Applicant and the Monitor shall serve their materials for this further hearing on all parties who serve a Notice of Appearance on the Applicant and the Monitor, such materials to be served by no later than 3 days prior to the date scheduled for the further hearing.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall have the right to pursue the sale of its TPI Portfolio (as defined in the Halas Affidavit), in whole or part, subject to prior approval of any sale being obtained on further motion before this Court.

6. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; (c) to not grant credit or incur liabilities except in the ordinary course of the Business; (d) to make no payments of Death Benefits to investors; and (e) to hold Death Benefits received in the interim in an interest bearing trust account (the "Death Benefits Account").

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. THIS COURT ORDERS that until and including December 31, 2008, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

APPLICANT ENTITLED TO CONTINUE ITS OUTSTANDING LITIGATION AND ARBITRATION PROCEEDINGS

11. THIS COURT ORDERS that the Applicant shall be entitled to continue its outstanding litigation and arbitration proceedings, and pay all reasonable expenses incurred as a result thereof and as are in accordance the Projected Cash Flow Statement attached as Exhibit "D" to the Halas Affidavit, as follows:

(a) *Universal Settlements Inc. v. James Torchia, Marc Celello and National Viaticals Inc.*; and

(b) *Universal Settlements Inc. v. Antonio Duscio.*

NO EXERCISE OF RIGHTS OR REMEDIES

12. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

13. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs **[6(a)], [8(a)], [8(b)] and [8(c)]** of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

18. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for the indemnity provided in paragraph **[17]** of this Order. The Directors' Charge shall have the priority set out in paragraphs **[31]** and **[33]** herein.

19. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph **[17]** of this Order.

PROCEEDINGS AGAINST TRUSTEES

20. THIS COURT ORDERS that during the Stay Period no Proceeding may be commenced or continued against the Applicant's former trustees Christopher Halas and William Potoczak (the "Trustees") with respect to any claim against the Trustees that arose before the date hereof and that relates to any obligations of the Applicant whereby the Trustees are alleged under any law to be liable in their capacity as Trustees for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

TRUST FUNDS

21. THIS COURT ORDERS that the trustee William Potoczak is entitled to use the US$300,000, which he holds in escrow in the ordinary course to fund the payment of premiums as they fall due and in accordance with specific insurance policies to which the funds have been designated, with such use to be monitored by the Monitor (as defined below).

22. THIS COURT ORDERS that Ogilvy Renault LLP is entitled to release US$778,000 out of the finds it holds in escrow for the Applicant, to the Applicant for the purposes of funding its operations.

23. THIS COURT ORDERS that Ogilvy Renault LLP is entitled to release the balance of the funds it holds in escrow for the Applicant, to the Applicant for the purposes of establishing an account from which premium payments can be made (the "Premium Reserve Account"), as they fall due and in accordance with specific insurance policies to which the funds have been designated, with such payments to be monitored by the Monitor (as defined below).

APPOINTMENT OF MONITOR

24. THIS COURT ORDERS that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

25. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) send notice of the Order, within three (3) days, to every known creditor of the Applicant as of the date of this Order, advising that such creditor may obtain a copy of the Order on the internct at the website of the Monitor at www.ey.com/ca/UniversalSettlements (the "Website") or, failing that, from the

Monitor and the Monitor shall provide it. Such notice shall be sufficient in accordance with Subsection 11(5) of the CCAA;

(b) monitor the Applicant's receipts and disbursements, including without limitation the oversight of the Death Benefits Account and the Premium Reserves Account;

(c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(d) advise the Applicant in its development of the Plan and any amendments to the Plan;

(e) advise the Applicant in its preparation of the Applicant's cash flow statements and report to the Court on the compilation;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

26. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

27. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amounts of $100,000, $50,000, and $50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

29. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs **[31]** and **[33]** hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

31. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

First – Administration Charge (to the maximum amount of $1 million); and

Second – Directors' Charge (to the maximum amount of $1 million).

32. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge and the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

33. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

34. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the Applicant also obtains the prior written consent of the Monitor, and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

35. THIS COURT ORDERS that the Directors' Charge and the Administration Charge, shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and

(b) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

36. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

37. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' or any party's email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on the Website. Any party filing a Notice of Appearance or otherwise intending to participate in these proceedings shall provide to the Applicant and the Monitor an email address for purposes of service.

GENERAL

38. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

39. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

40. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other foreign jurisdiction to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

41. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is 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.

42. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

43. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

~~JUSTICE H. WILTON-SIEGEL~~

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

DEC 0 2 2008

PER / PAR: TV

Toni Vecchiolo
Registrar, Superior Court of Justice

DOCSTOR: 1577835\8

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.

Court File No.: 08-CL-7878

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INITIAL ORDER

OGILVY RENAULT LLP
Royal Bank Plaza, South Tower
3800 - 200 Bay Street
Toronto ON M5J 2Z4

William McNamara (LSUC#: 23153S)
Tel: (416) 216-3906
Fax: (416) 216-3930

Lawyers for the Applicant

DOCSTOR: 1580895\1