**Court File No.: 08-CL-7878**

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
(Commercial List)

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

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

**Applicant**

# MOTION RECORD OF THE APPLICANT, UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
**(Returnable September 25, 2014)**

September 18, 2014

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Court File No. 08-CL-7878

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

B E T W E E N :

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

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

Applicant

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**Court File No.: 08-CL-7878**

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

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

**Applicant**

# MOTION RECORD OF THE APPLICANT, UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
**(Returnable September 25, 2014)**

## INDEX

| Tab | Documents |
|---|---|
| F | Exhibit "F": Nineteenth Report of the Monitor dated July 21, 2014 |
| G | Exhibit "G": USI Report on Possible Future Options for the Portfolio, dated September 18, 2014 |

# TAB 2

**Court File No.: 08-CL-7878**

*ONTARIO*
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**Applicant**

**AFFIDAVIT OF CHRISTOPHER HALAS**
**(Sworn September 18, 2014)**

I, CHRISTOPHER HALAS, of the City of Burlington, 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 swear this affidavit in support of USI's Motion for an order:

   (a) Authorizing USI to file with the Court and submit to Creditors (as defined below) for their consideration an amendment to the Amended Plan of Compromise and Arrangement approved by the Court on June 22, 2009 (the "**Plan**"), pursuant to the CCAA, in substantially the form attached hereto as Exhibit "**A**" (the "**Plan**

**Amendment**"), and to seek approval of the Plan Amendment in the manner set forth in the draft meetings order filed as Schedule "B" to the Applicant's Notice of Motion (the "**Meetings Order**");

(b) Authorizing USI to call, hold, and conduct meetings (the "**Meetings**") of its classes of Creditors on or before October 30, 2014, to consider and vote on a resolution to approve the Plan Amendment, pursuant to the terms of the Meetings Order;

(c) Approving the Meetings Materials (as defined in the Meetings Order) substantially in the form attached to the Meetings Order;

(d) Approving the proposed sale and investor solicitation process (the "**SISP**") in the form attached to the draft order filed herewith as Schedule "C" to the Applicant's Notice of Motion, subject to such non-material amendments as may be agreed to by USI and the Monitor; and

(e) Approving the Twentieth Report of the Monitor (the "**Twentieth Report**") and the conduct and activities of the Monitor set out therein.

***Background to the CCAA Proceedings***

3. The Applicant, USI, is an Ontario corporation that is in the business of "life settlements". Investing in life settlements involves the purchase of life insurance policies from insured individuals at a discount from the face value of the policies, and the sale of interests in those policies to investors. Investment returns are intended to be earned on the maturity of the policies.

4. On December 2, 2008, USI filed for and obtained protection from its creditors under the CCAA, pursuant to the provisions of an initial order dated December 2, 2008 (the "**Initial Order**"). A copy of the Initial Order is attached hereto as Exhibit "**B**".

5. At the time of its filing, USI held a portfolio of policies, a small portion of which were held by USI for its own investment purposes, and the balance of which formed the basis of investments sold to various third party investors (collectively, the "**Policies**").

6. Many investors of USI had purchased investments that provided for a fixed return. Others purchased investments in the Policies that provided for a guaranteed maturity date.

7. USI filed for protection under the CCAA as a result of a severe liquidity crisis it was experiencing that threatened its ability to pay premiums and other expenses relating to the Policies, and therefore its ability to maintain and thereby risk losing the Policies. Because of its liquidity issues, USI was also unable to meet its contractual obligations to its investors with respect to their investments.

8. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as the monitor (the "**Monitor**") of the Company.

***The Plan***

9. The Plan was sanctioned by the Court under the CCAA pursuant to a sanction order dated June 22, 2009, following approval by two classes of creditors at meetings held on June 17, 2009: (i) the investors who had purchased an interest in a life settlement from USI, and from whom USI received monies for that purpose (the "**Purchasers**"); and (ii) ordinary creditors, who are persons with claims against USI other than Purchaser claims ("**Ordinary Creditors**",

collectively with Purchasers, "**Creditors**"). A copy of the Plan is attached hereto as Exhibit "**C**".

10. Pursuant to the Plan, upon Plan Implementation (as defined in the Plan), all Policies, together with any future proceeds thereof, and all cash on hand held by USI (the "**Plan Assets**") were "pooled" for the benefit of Creditors to be held in trust by USI pursuant to separate declarations of trust dated July 17, 2009, as executed by the Applicant and Mills, Potoczak & Company ("**Mills**"), as trustees (the "**Declaration of Trust**") and allocated to Purchasers and Ordinary Creditors in proportions as set out in the Plan. All cash proceeds received by USI and Mills as trustee are paid into a segregated "**Monitored Trust Account**" pursuant to a monitored account agreement dated July 17, 2009, executed by USI and the Monitor (the "**Monitored Trust Agreement**").

11. The Plan provides that all expenses to maintain the portfolio of Policies are to be paid out of the Monitored Trust Account, and all proceeds of any maturities or other realizations on the Policies are required to be paid into the Monitored Trust Account, to be held until such time as the conditions set out in the Plan for distributions to Creditors are fulfilled. The Monitor oversees the operation of the Monitored Trust Account by USI pursuant to the Monitored Account Agreement and the Plan.

12. Pursuant to the Plan and the Declaration of Trust, the Plan Assets have been held in trust by USI and Mills, as trustees, for the benefit of Creditors and administered by USI in accordance with the Plan since its implementation in July, 2009.

13. The Plan permits USI to borrow and grant security on the Policies and cash held in the Monitored Trust Account in order to finance the payment of premiums and other costs associated with maintaining the Policies.

***Status of the Plan and Financing Obtained***

14. Beginning in or about January 2011, USI and the Monitor forecast that, without new maturities, USI would not have sufficient funds to continue to pay policy premiums and administer the Plan. In response, USI began to take steps to obtain financing to ensure that measures were in place to protect against the loss of the value of any Policies as a result of an inability to pay premiums.

15. By Order of Justice Wilton-Siegel, dated October 15, 2012 (the "**Financing Order**"), the Court declared that subject to the consent of the Monitor, USI was permitted to enter into loan agreements in accordance with the Plan, without further order of the Court. Attached as Exhibit "**D**" is a copy of Justice Wilton-Siegel's order dated October 15, 2012.

16. In order to maintain necessary liquidity in the absence of any maturities, USI entered into a financing agreement dated October 18, 2012 for a revolving loan (the "**Revolving Loan**") with a related party lender (the "**Lender**") of up to USD $5 million and granted security to the Lender over the Policies and any proceeds held in the Monitored Trust Account.

17. Since that time, USI has continued to maintain the Policies, including the payment of premiums and administrative and professional fees by using proceeds from Policy maturities that have occurred and through draws on the Revolving Loan. However, maturities have not been sufficient to permit USI to repay the Revolving Loan or generate any distributions for Creditors.

18. As of May 31, 2014, the Applicant had availability on the Revolving Loan of approximately USD $1.2 million, which was sufficient to maintain the Plan Assets until the end of July 2014, assuming that no Policies mature before then.

19. With the Monitor's consent, USI then sought and obtained the consent of the Lender to increase the credit limit under the Revolving Loan by an additional USD $5 million, for a total of USD $10 million.

20. On July 30, 2014, the Court declared that, subject to the consent of the Monitor, USI was permitted to enter into any addendum to increase the credit limit under any loan agreements that had been entered into pursuant to the Financing Order. Attached as Exhibit "**E**" is a copy of the Court's order dated July 30, 2014, granting this motion.

***Current Liquidity***

21. At the time that the extension of credit was granted in July, 2014, USI calculated that the additional financing would make funds available to pay premiums and other expenses associated with maintaining the Policies until February 2015, assuming that no Policies mature in the intervening time.

22. In August 2014, USI became aware of maturities of two of the Policies in the total amount of USD $2 million. USI estimates that these maturities have extended USI's ability to maintain its expenses until approximately April 2015, assuming that no Policies mature in the intervening time.

***Consideration of Alternatives***

23. The Monitor has reported from time to time as to the status of the Policies. The Plan was premised on projections that indicated that Purchasers would realize the return of their original investments by maintaining the Policies to maturity over a period of six years.

24. However, after almost six years since the implementation of the Plan, insufficient proceeds have been generated by the Policies to pay the costs of maintenance, and USI has been required to incur the costs of financing in order to ensure that Policies do not lapse. No proceeds have been available to make any distributions to Purchasers or Ordinary Creditors, as contemplated by the Plan.

25. In its Nineteenth Report dated July 21, 2014, the Monitor advised that USI was analyzing future options for managing the Policies, including but not limited to the sale of all or some of the Policies, or the continued administration of the Policies as described in the Plan. A copy of the Nineteenth Report of the Monitor is attached as Exhibit "**F**".

26. To assist with analyzing potential options, USI commissioned valuation and stochastic reports from Lewis & Ellis, Inc. ("**L&E**"), a respected actuarial firm specializing in life settlements, to assess the probable present and potential future value of the Policies, as well as future cash flow estimates for the purpose of evaluating the viability of a continued administration of the Policies.

27. USI has prepared a Report, to be distributed to Creditors, which advises that, unless additional maturities occur between now and April 2015, the Revolving Loan will be completely drawn down by the end of April 2015. A copy of the USI Report on Possible Future Options for the Portfolio, dated September 18, 2014, is attached hereto as Exhibit "**G**".

28. Subject to there being no maturities of Policies before April 2015, USI currently has no further available resources to maintain the Policies after that date.

29. The projections obtained from L&E disclose that there is no scenario in which the proceeds from Policy maturities will ever generate amounts sufficient to distribute 100% of their original investment to Purchasers.

30. An analysis of L&E's reports discloses that even if the capital was available to continue to fund the portfolio: (a) there is a significant risk that it may be several years before a distribution may be generated for Creditors, given the costs of maintaining the Policies and the range of projected maturities estimated by the cash flow analysis by L&E; and (b) even if the Policies are continued to be administered beyond April 2015, the L&E projections suggest that the Policies may not generate any additional value for Creditors than will result from an immediate sale.

31. USI has consulted extensively with the Monitor and determined that, given the imminent liquidity issues, it is advisable to explore current opportunities to sell the Policies and generate proceeds for distribution to Creditors.

32. The Plan, as currently drafted, does not permit a sale process to commence under the current circumstances. Section 4.9 of the Plan requires that any sale process for policies that have not matured may only commence if: (i) sufficient funds are otherwise available to pay to Purchasers distributions equal to 100% of their original investment; or (ii) the proceeds of a sale process would be sufficient to pay to Purchasers distributions equal to 100% of their original investment.

33. As a result, it is recommended that the Monitor be permitted to conduct a process to market and sell the Policies. In order to ensure that all options are canvassed, the process proposed would also solicit potential investment, financing or re-financing proposals for the

Policies.

*The Proposed Plan Amendment*

34. In order to permit a sale process to be conducted, USI, in consultation with the Monitor, recommends to Creditors that they approve the Plan Amendment, which will authorize the Monitor to conduct the SISP on the terms of the draft SISP filed herewith, and will authorize the Monitor to complete a sale, financing, re-financing or investment transaction that is to be approved by the Court. If it is determined by the Monitor, in accordance with the SISP, that it may not be in the best interests of the Creditors to commence or continue with the proposed SISP, the proposed SISP provides that any sale or investor solicitation process may be terminated, modified, or suspended to take into account a change in, on the advice and directions of the Court, and on notice to the service list maintained by the Monitor on its website at www.ey.com/ca/universalsettlements (the "**Service List**"), and by posting a copy of the motion materials on the website.

35. Further to this recommendation, USI is seeking this Court's authorization to conduct and hold meetings of Purchasers and Ordinary Creditors to consider and vote on a resolution to approve the Plan Amendment.

*The SISP*

36. In order to facilitate the marketing of the Policies for sale or investment, USI is seeking approval of the proposed SISP, pursuant to an Order that will direct the Monitor to immediately implement the SISP upon the receipt of the approval of the Plan Amendment by Creditors and the sanction of the Plan Amendment by the Court at a sanction hearing contemplated for November 7, 2014, in order to ensure that there is sufficient time to explore potential sale and

investment opportunities that may be available in the market.

37. The proposed SISP timeline has the goal of completing one or more agreements for a sale, investment, refinancing or financing transaction by March 13, 2015.

38. The proposed SISP has been carefully considered by USI and the Monitor to ensure that it is tailored to the particular market relating to life settlements, and establishes a timeline that takes into account the immediate liquidity concerns faced by USI and Creditors in respect of the Policies.

39. The proposed SISP provides maximum flexibility for sale, investment or re-financing and financing opportunities, to ensure that no reasonable possibility is excluded from consideration on behalf of Creditors.

***Notice to Creditors***

40. The proposed Meetings Order and SISP Approval Order set out specific provisions to enable Creditors who wish to receive notice of any motion to approve a transaction pursuant to the SISP or in respect of any other matter in these proceedings to add themselves to an email Service List with a simple form that will be included with the Meetings Materials.

| | | |
|---|---|---|
| **AFFIRMED before me at the City of Toronto, in the Province of Ontario, this 18th day of September, 2014.** | ) ) ) ) ) ) ) ) | |
| **A Commissioner, for Taking Affidavits, etc.** | | **Christopher Halas** |

**THIS IS EXHIBIT "*A*"**

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**
SWORN BEFORE ME THIS
18th DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

## AMENDMENT TO THE AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

PURSUANT TO THE

*COMPANIES' CREDITORS ARRANGEMENT ACT* (CANADA)

**October 30, 2014**

The Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "**Plan**") shall be amended as follows (this "**Plan Amendment**"):

1. Paragraph 4.9 of the Plan is hereby deleted and replaced with the following:

**"4.9 <u>Sale Process</u>**

The Monitor may commence a process for the sale of or investment in, financing or re-financing of all or some of the Policies that have not matured, pursuant to a sale and investor solicitation process in the form approved by the Court attached to this Plan as Schedule "C", as may be amended in accordance with its terms, or pursuant to any other sale and investor solicitation process that may be approved by the Court (in each case, the "**SISP**"), on notice to the service list (the "**Service List**") maintained by the Monitor from time to time and posted on its website at www.ey/ca/universalsettlements (the "**Monitor's Website**").

The SISP will be conducted by the Monitor. The Monitor is fully and exclusively authorized, empowered and directed to take any and all actions and steps, pursuant to the SISP and the SISP procedures approved by the Court, including, without limitation, executing any confidentiality agreement with prospective bidders under the SISP on behalf of the Applicant.

If it is determined at any time by the Monitor that it may not be in the best interests of the Creditors to commence or continue with a SISP, the Monitor shall as soon as reasonably practicable file a motion with the Court seeking advice and directions with respect to the commencement, continuation, modification, suspension or termination of such SISP on notice to the Service List.

The Applicant or the Monitor on the Applicant's behalf (if the Monitor is so directed by the Court) shall complete any transaction arising from the SISP, without any further vote of the Creditors, so long as that transaction has been approved by the Court (an "**Approved Transaction**"), on notice to the Service List and to Creditors (by posting a notice of the Court hearing to approve the transaction on the Monitor's Website).

The Applicant and the Monitor on behalf of the Applicant (if the Monitor is so directed by the Court) are fully authorized, empowered, and directed to execute, or cause to be executed, and to deliver or cause to be delivered all such documents, agreements, certificates and instruments and to do or cause to be done all such other acts and things as the Applicant or the Monitor, as applicable, determines to be necessary or desirable in order to carry out any Approved Transaction.

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

2. The Plan is hereby amended by attaching to the Plan a copy of the sale and investor solicitation process attached hereto as Schedule "A" to this Plan Amendment as a new Schedule "C" to the Plan.

3. Paragraph 5.1 of the Plan is hereby deleted and replaced with the following:

**"5.1 Monitor's Role**

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

In addition to the foregoing, the role of the Monitor shall include the conduct of the SISP pursuant to paragraph 4.9 of this Plan in accordance with the terms and conditions set out in the SISP, and any Order of the Court in respect of the SISP, and shall include all steps incidental to the conduct of the SISP and the completion of an Approved Transaction by the Monitor on behalf of the Applicant if so directed by the Court. Where directed by the Court to complete an Approved Transaction, the Monitor is fully authorized, empowered, and directed to execute, or cause to be executed, and to deliver or cause to be delivered all such documents, agreements, certificates and instruments and to do or cause to be done all such other acts and things (in each case, on behalf of the Applicant) as the Monitor determines to be necessary or desirable in order to carry out any Approved Transaction. For greater certainty, in conducting the SISP and/or completing any Approved Transaction on behalf of the Applicant, the Monitor shall not be deemed to have assumed management or control of the Policies, the Applicant, or its business. The Monitor may report to the Court and/or Creditors and seek advice and directions from the Court from time to time as to the status of the SISP."

4. Paragraph 7.1 is hereby deleted and replaced with the following:

"(a) The Applicant may vary, amend, modify or supplement this Plan by way of a supplementary or amended and restated Plan (an "**Amendment to the Plan**") at any time prior to the Creditors' Meeting(s), provided that the Applicant or the Monitor, as applicable, (i) files the Amendment to the Plan with the Court, (ii) obtains the prior consent from the Monitor, (iii) posts the Amendment to the Plan on the Monitor's Website, and (iv) serves the Amendment to the Plan on the Service List.

(b) The Applicant may vary, amend, modify or supplement the Plan at any time during the Creditors' Meeting(s), with the prior consent of the Monitor, provided that notice of any Amendment to the Plan is given to all Creditors present in person or by proxy (and in such case, notice given to the Creditor's proxyholder shall be sufficient) at the Creditors' Meetings, in which case any such Amendment to the

Plan shall be deemed to be part of and incorporated into the Plan and shall be promptly posted on the Monitor's Website and filed with the Court as soon as practicable following such meeting(s).

(c) The Applicant may vary, amend, modify or supplement the Plan at any time and from time to time after the Creditors' Meetings (both prior to and subsequent to the Sanction Order, if granted), without obtaining a further Order of this Court and without notice to any Creditors, if the Applicant and the Monitor, acting reasonably and in good faith, determine that such variation, amendment, modification or supplement is of a technical or administrative nature that would not be materially prejudicial to the interests of any of the Creditors under the Plan and is necessary in order to give effect to the substance of the Plan, an Amendment to the Plan, the Sanction Order or any order sanctioning an Amendment to the Plan.

(d) Any Amendment to the Plan filed with the Court, and if required by this Section, approved by the Court, shall for all purposes, be and be deemed to be a part of and incorporated into this Plan."

5. Subparagraph 7.9 (c) is hereby deleted and replaced with the following:

"if to the Applicant:

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Burlington, Ontario Canada L7L 6W6

Attention: Jeff Panos, President
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Email: jpanos@universalsettlements.com

with a copy to:

Rueter Scargall Bennett LLP
250 Yonge Street
Suite 2200
P.O. Box 4
Toronto, Ontario Canada M5B 2L7

Attention : Sara Erskine
Fax No. (416)869-3411
Email: sara.erskine@rslawyers.com"

6. Upon approval of the Plan Amendment pursuant to the CCAA by each Class of Creditors and the issuance of an Order of the Court sanctioning the Plan Amendment, this Plan Amendment, will become effective ( the "**Plan Amendment Effective Time**") and the Plan, as amended by the Plan Amendment, will be binding on and enure to the benefit of the Applicant, the Creditors and all Persons named or referred to in, or subject to, the Plan, as amended by this Plan Amendment, and

their respective heirs, executors, administrators and other legal representatives, successors and assigns. At the Plan Amendment Effective Time, each Creditor shall be deemed to have consented and agreed to all of the provisions of the Plan Amendment, as an entirety, and each Creditor will be deemed to have executed and delivered to the Applicant all consents, assignments, releases and waivers, statutory or otherwise, required to implement and carry out the Plan Amendment. All other terms and conditions of the Plan remain in full force and effect and unamended, except as expressly amended herein. Any references to the Plan in any other document shall be deemed to include the Plan as amended by this Plan Amendment.

7. The Applicant may vary, amend, modify or supplement this Plan Amendment (an "**Amendment to Plan Amendment**") at any time prior to any meeting of Creditors called for the purpose of considering and voting in respect of this Plan Amendment, provided that the Applicant or the Monitor, as applicable, (i) files the Amendment to Plan Amendment with the Court, (ii) obtains the prior consent from the Monitor, (iii) posts the Amendment to Plan Amendment on the Monitor's website at www.ey.com/ca/universalsettlements (the "**Monitor's Website**"), and (iv) serves the Amendment to Plan Amendment on the Service List.

8. The Applicant may vary, amend, modify or supplement this Plan Amendment at any time during any meetings of Creditors in connection with this Plan Amendment, with the prior consent of the Monitor, provided that notice of any such Amendment to Plan Amendment is given to all Creditors present in person or by proxy (and in such case, notice given to the Creditor's proxyholder shall be sufficient) at such meetings of Creditors prior to the vote being taken at such Creditors' meetings, in which case any such Amendment to Plan Amendment shall be deemed to be part of and incorporated into the Plan Amendment and the Plan and shall be promptly posted on the Monitor's Website and filed with the Court as soon as practicable following such meeting(s).

9. The Applicant may vary, amend, modify or supplement this Plan Amendment at any time and from time to time after the meetings of Creditors in connection with this Plan Amendment (both prior to and subsequent to the sanction order sanctioning this Plan Amendment if granted), without obtaining a further Order of this Court and without notice to any Creditors, if the Applicant and the Monitor, acting reasonably and in good faith, determine that such Amendment to Plan Amendment is of a technical or administrative nature that would not be materially prejudicial to the interests of any of the Creditors under the Plan and is necessary in order to give effect to the substance of this Plan Amendment, the Plan, the order sanctioning this Plan Amendment and an order sanctioning an Amendment to Plan Amendment.

**THIS IS EXHIBIT *"B"***

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**
SWORN BEFORE ME THIS
18th DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

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 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 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 Vecchiola
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

**THIS IS EXHIBIT "C"**

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**
SWORN BEFORE ME THIS
18th DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

## AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

**PURSUANT TO THE**

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

**June 16, 2009**

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

# AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

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

## ARTICLE 1
## INTERPRETATIONS

### 1.1 Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Policies**” means Purchaser Policies and Corporate Policies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"Valuation Date"** means January 23, 2009.

## 1.2 Construction

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

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

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

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

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

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

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

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

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

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

### 1.3 Conversion

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

### 1.4 Deeming Provisions

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

### 1.5 Date for any Action

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

### 1.6 Schedules

The following are the Schedules to this Plan:

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

## ARTICLE 2
## PURPOSE AND EFFECT OF THE PLAN

### 2.1 Purpose

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

## 2.2 Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3 <u>Benefits of the Plan</u>

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

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

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

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

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

### 2.4 Cash on Hand to be paid into Monitored Trust Account

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

### 2.5 Escrow Fund

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

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

## 2.6 Unaffected Claims

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

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

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

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

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

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

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

## 2.7 Affected Persons

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

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

## 2.8 Persons not affected by this Plan

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

# ARTICLE 3
# CLASSIFICATION OF CREDITORS

## 3.1 Classification of Creditors

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

(a) Purchasers; and

(b) Ordinary Creditors.

# ARTICLE 4
# TREATMENT OF CREDITORS

## 4.1 Compromise of Claims of Creditors

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

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

## 4.2 The Monitored Trust Account

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

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

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

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

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

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

Payment of such amounts are subject to:

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

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

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

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

### 4.3 Reserve for Costs

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

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

### 4.4 Power to Borrow

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

### 4.5 Litigation Contribution and Litigation Recovery

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

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

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

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

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

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

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

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

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

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

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

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

### 4.6 Purchaser Pool

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

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

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

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

### 4.7 ROI Pool

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

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

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

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

### 4.8 Ordinary Creditor Pool

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

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

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

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

### 4.9 Sale Process

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

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

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[2] See footnote 1, above.

[3] See footnote 1, above.

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

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

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

**4.10 Disbursements from Pools**

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

Distributions will be paid from the Pools as follows:

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

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

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

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

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

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

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

### 4.11 Right to Vote and Receive Distributions

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

### 4.12 Crown Priority Claims

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

### 4.13 Effect of Plan Generally

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

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

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

### 4.14 Events of Default

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

## ARTICLE 5
## MONITOR'S ROLE AND OTHER MATTERS

### 5.1 Monitor's Role

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

**5.2 Protections relating to the Monitor**

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

**5.3 Role of Mills**

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

**5.4 Risks related to the Plan**

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

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

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

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

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

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

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

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

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

## 5.5 Unpaid or Unclaimed Distributions

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

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

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

## 5.6 Effect of Sanction Order

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

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

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

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

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

## ARTICLE 6
## CONDITIONS PRECEDENT

### 6.1 Application for Sanction Order

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

### 6.2 Conditions Precedent to the Implementation of the Plan

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

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

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

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

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

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

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

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

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

## ARTICLE 7
## GENERAL

### 7.1 Binding Effect

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

### 7.2 Amendments

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

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

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

## 7.3 Termination

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

## 7.4 Releases

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

## 7.5 Consents, Waivers and Agreements

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

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

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

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

### 7.6 Severability of Plan Provisions

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

### 7.7 Governing Law

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

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

### 7.8 Directions

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

### 7.9 Notices

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

(a) if to the Monitor:

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

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

(b) if to a Creditor:

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

(c) if to the Applicant:

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

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

with a copy to:

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

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

with a copy to:

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

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

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

**SCHEDULE A**
**(administrative services to be provided)**

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

The Applicant will continue to do the following:

1. **Premium management and funding**

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

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

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

4. **Insured tracking**

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

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

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

7. **Investor communications and information updates**

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

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

   - Maintain Purchaser communication tools like website and corporate updates.

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

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

**11. Daily cash-flow reconciliations and reports.**

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

**13. Ensuring regulatory compliance with respect to the Policies.**

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

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

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

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

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

add one (1);

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

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

FOR EXAMPLE:

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

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

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

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

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

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

**THIS IS EXHIBIT *"D"***

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**
SWORN BEFORE ME THIS
18th DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

Court File No. ~~98-CV-143334~~ 08-CL-7878-

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

| | | |
|---|---|---|
| THE HONOURABLE | ) | MONDAY THE 15th DAY |
| | ) | |
| MR. JUSTICE WILTON-SIEGEL | ) | OF OCTOBER, 2012 |

**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

**ORDER**

**ON READING** the Applicant's Notice of Motion and the Sixteenth Report of Ernst & Young (the "Monitor") dated October 10, 2012 and hearing submissions of counsel for the Applicant, the Monitor and parties appearing on the counsel slip, no one appearing for the other parties served with the Applicant's Notice of Motion and Supplementary Motion Record, although duly served as appears from the Affidavit of Service of Danielle McCarthy sworn October 10, 2012, filed:

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

2. **THIS COURT DECLARES THAT** pursuant to the Plan of Compromise and Arrangement (the "Plan"), the Applicant's authority to grant security interests in respect of borrowings pursuant to Section 4.4 of the Plan includes the authority to grant security interests over the Monitored Trust Account.

3. **THIS COURT DECLARES THAT**, subject to the consent of the Monitor, the Applicant may enter into loan agreements in accordance with the Plan, without further order of the court.

4. **THIS COURT ORDERS THAT** the activities of the Monitor as set out in the Sixteenth Report are hereby approved.

G. Morawetz J.

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

OCT 15 2012

LB

**COURT FILE NO. 08-CL-7878**

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

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

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

PROCEEDING COMMENCED IN TORONTO

# ORDER


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**THIS IS EXHIBIT *"E"***

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**

SWORN BEFORE ME THIS

18th DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

Court File No.: 08-CL-7878

*ONTARIO*
**SUPERIOR COURT OF JUSTICE**
(Commercial List)

| | | |
|---|---|---|
| THE HONOURABLE | ) | WEDNESDAY, THE 30TH DAY |
| | ) | |
| MR. JUSTICE WILTON-SIEGEL | ) | OF JULY, 2014 |

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

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

**Applicant**

# ORDER

**ON READING** the Applicant's Motion Record and the Nineteenth Report of Ernst & Young (the "Monitor") dated July 21, 2014 and hearing the submissions of counsel for the Applicant, the Monitor and parties appearing on the counsel slip, no one appearing for the other parties served with the Applicant's Motion Record:

1. **THIS COURT ORDERS THAT** the time for service of the Applicant's Motion Record is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT DECLARES THAT** subject to the consent of the Monitor, the Applicant may enter into any addendum to increase the credit limit under any loan agreements entered into pursuant to paragraph 3 of the Order of Wilton-Siegel J. dated October 15, 2012.

Wilton-Siegel J.

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

JUL 3 0 2014

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**COURT FILE NO.: 08-CL-7878**

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

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**ONTARIO**
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## ORDER

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Lawyers for the Applicant

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REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**

SWORN BEFORE ME THIS

18th DAY OF SEPTEMBER 2014.

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

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

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**NINETEENTH REPORT OF THE MONITOR**
**July 21, 2014**

## INTRODUCTION

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

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

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

benefit of the stakeholders of the Plan ("**Creditors**") to ensure that the Plan Assets are dealt with in the manner provided for in the Plan. As a result, the Monitor does not have possession or control of the Plan Assets or the Company's records. The Monitor is responsible solely for monitoring the administration of the Plan Assets by the Company and Mills in accordance with the terms of the Plan and the Monitored Account Agreement.

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

| Report | Date |
|---|---|
| First Report | December 17, 2008 |
| Second Report | December 22, 2008 |
| Third Report | January 8, 2009 |
| Fourth Report | January 20, 2009 |
| Fifth Report | February 23, 2009 |
| Sixth Report | April 21, 2009 |
| Seventh Report and Supplement to Seventh Report | May 7, 2009 and May 15, 2009 |
| Eighth Report | June 10, 2009 |
| Ninth Report | June 19, 2009 |
| Tenth Report | July 14, 2009 |
| Eleventh Report | December 9, 2009 |
| Twelfth Report | January 7, 2011 |
| Thirteenth Report | July 25, 2011 |
| Fourteenth Report | December 8, 2011 |
| Fifteenth Report | July 26, 2012 |
| Sixteenth Report | October 10, 2012 |
| Seventeenth Report | June 25, 2013 |
| Eighteenth Report | March 14, 2014 |

5. The purpose of this nineteenth report (the "**Nineteenth Report**" or "**Report**") is to provide an update to Creditors and to the Court on:

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

(b) An update of USI's efforts to secure financing to fund the deficit projected in the USI Forecast as discussed in the Eighteenth Report;

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

(d) As discussed in the Eighteenth Report, an update of the analysis currently being completed by USI based on the reports provided by Lewis and Ellis Actuaries and Consultants ("**L&E**") with respect to future options to manage the portfolio, including management's recommendation on how to proceed (the "**USI Analysis**").

6. As discussed more fully below and as referenced in the Appendices attached, USI continues its work in analyzing future options for the portfolio. In the meantime, USI has sufficient availability under the revolving loan made pursuant to a Financing Agreement dated October 18, 2012, (the "**Revolving Loan**") with its Related Party Lender to continue to maintain expenses, including premium costs, until the end of July, 2014. USI has negotiated an increase to the availability on the Revolving Loan of an additional $5 million. With this additional availability, USI projects it will have sufficient funds to pay premiums and expenses until February 2015, assuming no further maturities occur between now and that date.

7. USI intends to report to creditors by October, 2014 with its recommendations for future options for the portfolio.

## TERMS OF REFERENCE

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

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

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

(c) The Monitor has prepared this Nineteenth Report in its capacity as a court-appointed officer solely for the use of the Court and has made a copy of this Report available on the Monitor's website at (www.ey.com/ca/universalsettlements) solely for purposes of providing an update to the Court and creditors. This Report should not be used or relied upon by any other person or for any other purpose.

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

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

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

## THE MONITORED TRUST ACCOUNT

12. As noted by the Monitor in previous reports, the Plan provides that all policies, cash proceeds from the maturity of policies and the corporate cash in the Monitored Trust

Account are held in trust for the benefit of Creditors under the Plan, pursuant to declarations of trust executed by USI and Mills.

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

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

15. The Plan provides that if sufficient funds are available in the Monitored Trust Account, as calculated in accordance with the Plan, a distribution may be made to Creditors. Before any distributions may be made out of the Monitored Trust Account, the Monitor must be satisfied, relying on information provided by USI, that there will be sufficient funds remaining in the Monitored Trust Account to pay Costs for the following two year period (the "**Reserve for Costs**").

16. The Plan also requires that any third party loans outstanding, including associated interest and fees, must be repaid prior to any distributions being made the Creditors. Once all loans are repaid, if the Monitored Trust Account contains funds equal to the amount calculated for the Reserve for Costs plus $5.0 million, then a distribution may be made to Creditors by payment out of the Monitored Trust Account into the Purchaser Pool and the Ordinary Creditor Pool of all amounts in excess of the Reserve for Costs, in the proportions as set out in the Plan.

***Cash Flow in the Monitored Trust Account During the Reporting Period***

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

2014, the Trustees were holding cash in trust totalling approximately $32,000, as reflected in the R&D attached as **Appendix "B"**.

18. The Company currently has availability on its revolving loan with the Related Party Lender of approximately $1.2 million, which, as discussed more fully below, is sufficient to maintain expenses until the end of July 2014. USI intends to have the additional availability under the Revolving Loan in place by the end of July 2014 in order to fund its obligations under the Plan.

19. From January 31 to May 31, 2014:

(a) Four maturities occurred with death benefits totalling approximately US $1.8 million, which includes three maturities for $1.5 million have not yet been collected. Currently, 119 policies representing approximately US $158 million in death benefits have not yet matured. This includes the Applicants' interest in three corporate policies which are part of the USII Trust.

(b) As described in the notes to the R&D, interest and fees in respect of the Revolving Loan totalling approximately $111,000 were paid;

(c) Approximately $2.8 million in policy premiums were paid to insurance companies for policies that have not yet matured;

(d) $400,000 in administration fees were paid to USI and $12,000 in fees were paid to Mills; and

(e) Approximately $120,000 in professional fees and disbursements were paid.

***Discussion with Related Party Lender***

20. As noted above, absent new maturities and absent any additional financing, USI is projected to run out of funds to pay premiums at the end of July 2014. In the event USI no longer has funds to pay premiums, the policies could lapse and lose any value attributed to them.

21. The current loan agreement with the Related Party Lender permits USI and the Related Party Lender to agree to increase the amount available under the Revolving Loan, with the consent of the Monitor. USI has advised the Monitor that it has received approval from the Related Party Lender to increase the Revolving Loan to US $10.0 million.

22. The Monitor intends to provide its consent to increase the Revolving Loan limit, since absent this consent there is a possibility that the policies will lapse and any value attributed to the policies will be lost.. Approval of the Court is not required for the increase to the Revolving Loan limit. Attached hereto as **Appendix "C"** is a copy of the Order of Justice Wilton-Siegel dated October 15, 2012, in this respect.

23. The Company is currently in the process of drafting an Addendum to the Financing Agreement that will document the increase in the Revolving Loan limit. The Monitor understands that all terms and conditions to the Revolving Loan will remain the same as set out in the Financing Agreement, as described in the Monitor's Sixteenth Report. The Company has agreed to increase the amount of the Lender's Fee payable to the Related Party Lender from $200,000 to $400,000. The Lender's Fee is payable on the Maturity Date, which is defined in the Financing Agreement as July 31, 2015. The new amounts advanced under the Revolving Loan will be secured by the assets held in the Monitored Trust Account.

24. The increase in Revolving Loan limit will be used to fund USI's operations (mainly to pay the policy premiums) while USI reviews the L&E reports and finalizes its recommendations for next steps.

***Cash Flow Forecast for the Monitored Trust Account***

25. With the assistance of the Monitor, USI has prepared a forecast of the cash flow in the Monitored Trust Account that is anticipated for the period of June 1, 2014 to March 31, 2015 (the "Forecast"), as described in Appendix "C". The Forecast assumes that no proceeds relating to new maturities are received other than the amounts in respect of known maturities reported above and that the Revolving Loan is available to be drawn to a maximum of US $10.0 million. **Under these assumptions, including the additional availability under the Revolving Loan, the Forecast indicates that USI will have**

**sufficient funds to administer the Plan and pay policy premiums until the end of February 2015.**

## ANALYSIS OF ALTERNATIVES TO MANAGE THE PORTFOLIO BY USI

26. As discussed in the Eighteenth Report, the Monitor asked USI to complete an analysis of the possible future options for managing the portfolio, which options include but are not limited to the sale of all the policies or the continued administration of the portfolio as described in the Plan. USI re-engaged L&E, an actuarial consulting firm based in Dallas, Texas who had previously performed analysis for USI as described in the Fifteenth Report.

27. USI has received the L&E reports and has reviewed them with the Monitor. USI is currently working towards a recommendation to creditors regarding the appropriate next steps. Once Management's report has been completed and provided to the Monitor, an update will be provided to the creditors and the Court.

## LITIGATION UPDATE

28. As noted in prior reports, USI was authorized by the Plan to continue to pursue two Actions, with any proceeds realized from those Actions to be applied in accordance with the Plan.

29. USI's counsel has advised the Monitor that it has recently reached a settlement in the litigation against Antonio Duscio, which includes arbitration proceedings relating to entitlement to certain proceeds held in the Escrow Fund (as defined in the Plan).

30. The terms of the Settlement Agreement are confidential. However, the Monitor has been advised by USI that the Settlement Agreement will resolve the Action in *Universal Settlement International Inc. v. Antonio Duscio et al.* (Court File No. 06-CV-323645) and will result in the release of approximately $200,000 from the Escrow Fund to the Monitored Trust Account after payment of the fees and disbursements of counsel to USI in relation to the litigation.

31. The Monitor has been advised by USI that the lone remaining member of the Litigation Committee reviewed and approved the settlement.

32. Section 2.5 of the Plan indicates that any funds released from the Escrow Fund should be distributed in the following manner:

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

33. It is expected that USI's counsel in the National Viatical Claim (as described in prior reports), which is the other Action that has been authorized by the Plan, will be seeking payment of outstanding invoices from the amounts received into the Monitored Trust Account from the Escrow Fund, in reliance on the provisions of the Plan.

ALL OF WHICH is respectfully submitted this 21st day of July, 2014.

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

Per:

Brian Denega
Senior Vice-President

# APPENDIX “A”

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

## AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

**PURSUANT TO THE**

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

**June 16, 2009**

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

# AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

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

## ARTICLE 1
## INTERPRETATIONS

### 1.1 Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Valuation Date**" means January 23, 2009.

## 1.2 Construction

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

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

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

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

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

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

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

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

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

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

### 1.3 Conversion

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

### 1.4 Deeming Provisions

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

### 1.5 Date for any Action

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

### 1.6 Schedules

The following are the Schedules to this Plan:

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

## ARTICLE 2
## PURPOSE AND EFFECT OF THE PLAN

### 2.1 Purpose

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

## 2.2 Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3 Benefits of the Plan

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

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

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

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

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

## 2.4 Cash on Hand to be paid into Monitored Trust Account

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

## 2.5 Escrow Fund

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

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

## 2.6 Unaffected Claims

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

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

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

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

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

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

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

## 2.7 Affected Persons

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

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

## 2.8 Persons not affected by this Plan

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

# ARTICLE 3
# CLASSIFICATION OF CREDITORS

## 3.1 Classification of Creditors

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

(a) Purchasers; and

(b) Ordinary Creditors.

# ARTICLE 4
# TREATMENT OF CREDITORS

## 4.1 Compromise of Claims of Creditors

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

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

## 4.2 The Monitored Trust Account

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

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

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

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

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

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

Payment of such amounts are subject to:

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

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

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

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

## 4.3 Reserve for Costs

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

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

## 4.4 Power to Borrow

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

## 4.5 Litigation Contribution and Litigation Recovery

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

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

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

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

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

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

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

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

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

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

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

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

## 4.6 Purchaser Pool

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

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

(Purchaser Policies' face values and Premium Reserves at Plan Implementation Date) / (Purchaser Policies' and Corporate Policies' face values[1] and Premium Reserves at Plan Implementation Date) = Purchaser Pool allocation

= ($185,040,918 + $2,709,072) / ($185,040,918 + $7,473,456 + $2,744,944)

= 96.15%

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

## 4.7 ROI Pool

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

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

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

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

### 4.8 Ordinary Creditor Pool

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

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

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

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

### 4.9 Sale Process

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

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

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[2] See footnote 1, above.

[3] See footnote 1, above.

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

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

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

### 4.10 Disbursements from Pools

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

Distributions will be paid from the Pools as follows:

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

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

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

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

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

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

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

### 4.11 Right to Vote and Receive Distributions

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

### 4.12 Crown Priority Claims

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

### 4.13 Effect of Plan Generally

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

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

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

### 4.14 Events of Default

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

## ARTICLE 5
## MONITOR'S ROLE AND OTHER MATTERS

### 5.1 Monitor's Role

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

## 5.2 Protections relating to the Monitor

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

## 5.3 Role of Mills

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

## 5.4 Risks related to the Plan

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

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

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

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

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

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

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

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

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

### 5.5 Unpaid or Unclaimed Distributions

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

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

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

### 5.6 Effect of Sanction Order

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

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

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

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

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

## ARTICLE 6
## CONDITIONS PRECEDENT

### 6.1 Application for Sanction Order

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

### 6.2 Conditions Precedent to the Implementation of the Plan

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

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

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

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

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

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

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

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

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

## ARTICLE 7
## GENERAL

### 7.1 Binding Effect

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

### 7.2 Amendments

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

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

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

### 7.3 Termination

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

### 7.4 Releases

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

### 7.5 Consents, Waivers and Agreements

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

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

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

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

### 7.6 Severability of Plan Provisions

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

### 7.7 Governing Law

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

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

### 7.8 Directions

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

### 7.9 Notices

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

(a) if to the Monitor:

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

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

(b) if to a Creditor:

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

(c) if to the Applicant:

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

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

with a copy to:

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

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

with a copy to:

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

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

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

**SCHEDULE A**
**(administrative services to be provided)**

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

The Applicant will continue to do the following:

1. **Premium management and funding**

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

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

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

4. **Insured tracking**

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

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

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

7. **Investor communications and information updates**

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

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

   - Maintain Purchaser communication tools like website and corporate updates.

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

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

**11. Daily cash-flow reconciliations and reports.**

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

**13. Ensuring regulatory compliance with respect to the Policies.**

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

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

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

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

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

add one (1);

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

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

FOR EXAMPLE:

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

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

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

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

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

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

# APPENDIX “B”

Appendix "B"

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
## Monitored Trust Account Cash Flow
## From July 21, 2009 to May 31, 2014
(approximately fifty eight months)

| ($ Canadian) | ($ Cdn) From July 21, 2009 to May 31, 2014 | From January 31, 2014 to May 31, 2014 [1] |
|---|---|---|
| **Opening cash balance:** | | 59,446 |
| Transfers from Premium Reserve account | 2,952,296 | 0 |
| Transfers from Maturities Account | 7,007,999 | 0 |
| **Total Opening Cash Balance** | **9,960,295** | **0** |
| | | |
| **Receipts** | | |
| Policy Maturities | 30,687,509 | 388,596 |
| Other | 5,257,661 | 0 |
| Loans | 6,460,877 | 2,947,277 |
| **Total Receipts** | **42,406,047** | **3,335,873** |
| | | |
| **Disbursements** | | |
| Policy Portfolio Expenses: | | |
| Premium Payments | 38,726,030 | 2,807,890 |
| Administrative Fees | 5,928,552 | 400,000 |
| Mills, Potozcak Fees | 234,342 | 11,678 |
| Portfolio Administrative Charges - Other | 320,268 | 42,652 |
| Total Policy Portfolio Expenses | **45,209,192** | **3,262,220** |
| | | |
| Restructuring Expenses | | |
| Unaffected Claims | 782,378 | 0 |
| Monitor's fees and disbursements | 1,389,197 | 114,943 |
| Legal fees and disbursements: | | 0 |
| Ogilvy Renault LLP (Norton Rose) | 89,488 | 0 |
| Rueter Scargall Bennett LLP | 146,104 | 3,659 |
| Blake, Cassels and Graydon LLP | 157,486 | 2,319 |
| Total Restructuring Expenses | **2,564,653** | **120,921** |
| | | |
| Other Expenses: | | |
| Litigation Contribution | 518,071 | 0 |
| Borrowing Costs Loan Payments | 3,513,642 | 0 |
| Borrowing Costs Interest Payments | 314,074 | 0 |
| Bank Charges | 3,169 | 105 |
| Total Other Expenses | **4,348,956** | **105** |
| | | |
| **Total Disbursements** | **52,122,801** | **3,383,246** |
| | | |
| Total disbursements | 52,122,801 | 3,383,246 |
| **Receipts over Disbursements** | **-9,716,754** | **-47,373** |
| Foreign exchange gain/(loss) | -211,346 | 20,122 |
| **Ending cash balance, May 31, 2014** | **32,195** | **32,195** |

**Notes:**

Interest payments of $111,280 in respect of the Revolving Loan was paid during the Reporting Period.

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

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

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

# APPENDIX "C"

Appendix "C"

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

## CASH FLOW PROJECTION- ASSUMING NO FURTHER MATURITIES [1] and $10 MILLION LOAN LIMIT

### June 1, 2014 to March 31, 2015

| SCAD | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Opening cash balance [2]** | 32,195 | 62,799 | 66,778 | 133,005 | 60,565 | 11,894 | 93,574 | 33,675 | 25,000 | 56,526 |
| **Receipts** | | | | | | | | | | |
| Maturities | 300,000 | 200,000 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annuity | 0 | 0 | | 0 | 0 | | 0 | 0 | 0 | 0 |
| Premium Refund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy Cash Value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Policy Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium Financing Loan | 0 | 0 | 0 | 0 | 0 | | | | | |
| Dividend & Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Maturities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bank Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bank Interest Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-total - receipts** | 300,000 | 200,000 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Disbursements** | | | | | | | | | | |
| USI Monthly Administration Fees | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| E & Y Monthly Monitor Fees | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 |
| Legal Expenses Blakes C G. LLP. | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Legal Expenses Rueter S. B. LLP. | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Legal Expenses Ogilvy Renault LLP. | 9,000 | 0 | 9,000 | 0 | 0 | 9,000 | 0 | 9,000 | 0 | 9,000 |
| Litigation Contribution Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium Financing Loan - Principal Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium Financing Loan Interest [5] | 36,000 | 43,000 | 43,000 | 54,000 | 70,300 | 74,000 | 84,000 | 94,000 | 104,000 | 110,000 |
| Premium Financing Loan Standby Fee [3] | 6,000 | 22,333 | 22,333 | 18,667 | 15,667 | 12,000 | 8,667 | 5,333 | 2,000 | 0 |
| Trustee Mills Potoczak | 5,263 | 4,211 | 5,263 | 4,211 | 5,263 | 4,211 | 5,263 | 4,211 | 5,263 | 4,211 |
| Premiums | 779,531 | 704,875 | 732,575 | 973,961 | 735,839 | 797,509 | 840,367 | 774,530 | 735,609 | 837,931 |
| Bank Service charges | 102 | 102 | 102 | 102 | 102 | 102 | 102 | 102 | 102 | 102 |
| Unaffected Claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-total - disbursements** | 957,396 | 896,021 | 933,773 | 1,172,440 | 948,671 | 1,018,321 | 1,059,898 | 1,008,675 | 968,474 | 1,082,743 |
| **Net Cash Flow** | -657,396 | -696,021 | 66,227 | -1,172,440 | -948,671 | -1,018,321 | -1,059,898 | -1,008,675 | -968,474 | -1,082,743 |
| **Ending Cash Balance** | 62,799 | 66,778 | 133,005 | 60,565 | 11,894 | 93,574 | 33,675 | 25,000 | 56,526 | -426,217 |
| **Projected Revolving Loan Advances** | 688,000 | 700,000 | 0 | 1,100,000 | 900,000 | 1,100,000 | 1,000,000 | 1,000,000 | 1,000,000 | 600,000 |
| **Projected Revolving Loan Balance [4]** | 3,600,000 | 4,300,000 | 4,300,000 | 5,400,000 | 6,300,000 | 7,400,000 | 8,400,000 | 9,400,000 | 10,400,000 | 11,000,000 |

Notes:

1) The forecast assumes no other policies will mature during the forecast period other than what has been reported as at June 1, 2014.

2) Opening cash balance is the actual cash balance as at June 1, 2014

3) Pursuant to the Revolving Loan term sheet, an interest rate of 12% on funds advanced and 4% on unadvanced funds is to be charged. These estimated amounts have been added to the projections

4) The Revolving Loan is assumed to have a limit of US $10.0 million as of July, 2014.

5) A foreign exchange rate of USD/CAD 0.95 was assumed

**THIS IS EXHIBIT *"G"***

REFERRED TO IN THE AFFIDAVIT OF
**CHRISTOPHER HALAS**
SWORN BEFORE ME THIS
$18^{th}$ DAY OF SEPTEMBER 2014.

Commissioner for Taking Affidavits, etc.

# UNIVERSAL SETTLEMENTS INTERNATIONAL INC.
# REPORT OF USI MANAGEMENT ON POSSIBLE FUTURE OPTIONS FOR THE PORTFOLIO

**September 18, 2014**

## I. OVERVIEW

This report provides USI's analysis of the possible future options for the Portfolio, which include the sale of all the policies or the continued administration of the Portfolio in accordance with the Amended Plan of Compromise and Arrangement dated June 16, 2009 (the "Plan").

As discussed in the Eighteenth Report of the Monitor dated March 14, 2014 (the "Eighteenth Report"), the Monitor requested that USI undertake to commence an analysis of these options prior to the Monitor consenting to an increased loan limit on a USD $5 million revolving line of credit (the "Revolving Loan"). The Revolving Loan has been available to USI since October 2012, and is available in order to maintain necessary liquidity in the absence of any maturities, so that USI can maintain the Policies, including the payment of premiums, administrative and professional fees.

As of May 31, 2014, USI had availability on the Revolving Loan of approximately USD $1.2 million, which was sufficient to maintain the Plan assets until the end of July 2014. With the Monitor's consent, USI sought and obtained Court approval to increase the credit limit by an additional USD $5 million, for a total of USD $10 million.

At the time that the extension of credit was granted in July, 2014, USI calculated that the additional financing would make funds available to pay premiums and other expenses associated with maintaining the Policies until February 2015, assuming that no Policies matured in the intervening time.

In August 2014, USI became aware of maturities of two of the Policies in the total amount of USD $2 million. USI estimates that these maturities have extended USI's ability to maintain its expenses until approximately May 2015.

In order to assess possible future options for the portfolio beyond May 2015, USI asked Lewis & Ellis, Inc. ("L&E"), an actuarial consulting firm based in Dallas, Texas to perform certain actuarial analyses of the policies held in the Plan Portfolio. The purpose of requesting the L&E analysis was to assist USI in considering whether Creditors will receive a greater return from the sale of the Portfolio at the current market rates, or whether it makes financial sense to maintain the continued administration of the Portfolio as provided in the Plan.

L&E has completed its analysis and delivered two reports to USI: one which estimates the value of the Portfolio if sold in the open market, as of July 2014 and February 2015; and a second report which projects future maturities and cash flows for the Portfolio on a 30 year horizon. The projections obtained from L&E disclose that there is no scenario in which the proceeds from Policy maturities will ever generate amounts sufficient to distribute 100% of their original investment to Purchasers.

An analysis of L&E's reports discloses that, even if USI had available capital to continue to fund the Portfolio: (a) there is a risk that it may be several years before a distribution may be generated for Creditors, given the costs of maintaining the Policies and the range of projected maturities estimated by the cash flow analysis by L&E; and (b) even if the Policies are continued to be administered beyond May 2015, the L&E projections suggest that the Policies may not generate any additional value for Creditors than will result from an immediate sale.

USI has consulted extensively with the Monitor and determined that, given the imminent liquidity issues, it is advisable to explore current opportunities to sell the Policies and generate proceeds for distribution to Creditors.

The Plan as currently drafted does not permit a sale of the Portfolio under the current circumstances. The Plan requires that any sale process for policies that have not matured may only commence if: (i) sufficient funds are available to pay to Purchasers distributions equal to 100% of their original investment; or (ii) the proceeds of a sale process would be sufficient to pay to Purchasers distributions equal to 100% of their original investment.

Given the fact that L&E's analysis projects that there is no scenario in which (i) will be met; and given L&E's valuations, it is not expected that (ii) can be met, USI recommends that the Creditors approve an amendment to the Plan (the "Plan Amendment") that will permit the sale of all or part of the Portfolio if a suitable purchaser can be identified.

If the Plan Amendment is approved and sanctioned by the Court:

- The Monitor will immediately implement a sale and investor solicitation process that contemplates that a transaction will be completed on or before March 13, 2015, subject to Court approval, with a distribution to Creditors of available net proceeds after release of funds from any escrow, which may not occur before the end of May 2015, and after repayment of all indebtedness and outstanding costs, to follow.

If the Plan Amendment is not approved:

- The USD $10 million revolving line of credit currently available to USI is expected to be fully drawn by end of April 2015.

- Subject to any Policy maturities before April 2015, USI currently has no further available resources to maintain the Policies after that date.

- USI will continue to administer the Plan in its current form and endeavor to identify additional financing in order to maintain the portfolio beyond April 2015. However there is no guarantee that USI will be successful in this regard.

- There is a significant risk that it may be several years before a distribution may be generated for Creditors. Based on past experience during the administration of this

Portfolio since implementation of the Plan in 2009, any maturities that have occurred have been used to maintain ongoing expenses, including the payment of Policy premiums.

- L&E's projections suggest that the Policies may not generate any additional value for Creditors than will be generated from an immediate sale.

## II. CURRENT FINANCIAL POSITION OF THE PLAN

The current financial position of the Plan should be considered when assessing whether or not to approve a Plan Amendment that may result in the sale of the Porfolio.

As reported in the Nineteenth Report of the Monitor dated July 21, 2014 (the "Nineteenth Report"), USI, with the assistance of the Monitor, prepared a forecast of cash flow in the Monitored Trust Account for the period of June 1, 2014 to March 31, 2015.

This forecast assumed no new maturities in the Portfolio, and that the Revolving Loan used by USI to maintain expenses, including premium costs, was available to be drawn down to a maximum of USD $10 million.

Under these assumptions, the Monitor reported that USI would have sufficient funds to administer the assets held under the Plan until February 2015.

In August 2014, USI learned of the maturity of two policies within the Portfolio with a combined death benefit of USD $2 million. USI Management has submitted the death claim forms and anticipates receiving the death benefits on these policies within the next 30 to 60 days.

With these additional maturities, USI is projected to have available funds to pay premiums and other costs related to the maintenance of the Portfolio until the end of April, 2015.

USI currently has no further available resources to maintain the Policies after that date.

## III. COSTS OF CONTINUED ADMINISTRATION OF THE PLAN

A cash flow analysis prepared by the Monitor, and attached to the Monitor's Nineteenth Report, forecasts costs to service the Portfolio of approximately CDN $900,000-1,000,000 per month (comprising of premiums, professional fees, administration and financing costs), which is equivalent to USD $855,000-950,000, or roughly USD $900,000 per month. It should be noted that of these costs, by far the largest proportion consists of premium payments in respect of the Portfolio, which average approximately CDN $760,000 per month.

The estimated total costs that will need to be paid out of any proceeds of sale are set out as follows below:

| **USD(millions)**<br>Sale Date | **April 30, 2015** |
|---|---|
| Projected Revolving Loan balance at April 30, 2015 (including the Estimated Administration and Premium costs @ USD $900,000/month to May 31, 2015) | (10.00) |
| Repayment of Policy Loans outstanding | (2.00) |
| Contingency for costs of Portfolio sale, such as fees payable on the termination of Revolving Loan, and other legal and professional fees associated with the conduct of the proposed sale and investor solicitation process, a distribution to creditors and termination of the Plan | (2.00) |
| Estimated Total Costs of Portfolio Administration through May 31, 2015 | **(14.00)** |

## IV. THE POSSIBLE SALE OF THE PORTFOLIO

As noted above, the Plan does not permit the sale of the Portfolio unless sufficient funds are available to pay Purchasers 100% of their Original Investments (as defined in the Plan) or a sale would generate sufficient funds to pay 100% of Original Investments. Neither of these circumstances are projected to arise in the event of a sale prior to February 2015, and L&E's projections suggest that there will never be a scenario in which Purchasers will receive 100% of their Original Investment in a distribution.

As a result, if a sale of the Portfolio is to be available as an option to Creditors, it is necessary to amend the Plan to permit a sale of the Portfolio in circumstances other than where there is 100% recovery of Purchasers' Original Investments.

USI is proposing a Plan Amendment that will permit, but not require, USI to sell all or part of the Portfolio subject to Monitor consent and Court approval. This will permit the Monitor to conduct a marketing and sale process for the Portfolio to identify a potential sale transaction that may generate an immediate recovery for Creditors. Attached hereto as Appendix "A" is a draft of the proposed Plan Amendment, reflecting an amendment that will permit a sale process in these circumstances.

As set out above, in the absence of maturities between now and April 2015, the USD $10 million Revolving Loan will be completely drawn down. In light of this imminent liquidity issue, if the Plan Amendment is approved, the Monitor will immediately implement the sale process to ensure that there is sufficient time to explore the potential sale of all of part of the Portfolio.

If additional maturities occur during the sale and investor solicitation process, it may change the recovery profile of the Portfolio. The proposed sale and investor solicitation process provides the Monitor with the ability to determine at any time that it may not be in the best interests of the

Creditors to commence or continue the process, and permits the Monitor to seek advice and directions from the Court with respect to the commencement, continuation, modification, suspension or termination of the process, on notice to the service list maintained by the Monitor.

The sale and investor solicitation process that is proposed will also seek out financing, refinancing, and investment options, in addition to seeking purchase proposals, in order that all avenues are explored to avoid policy lapses as of the end of April 2015.

**Implementing a Sales Process**

In order to seek the approval of the Creditors of the proposed Plan Amendment, USI is seeking the Court's authorization on September 25, 2014 to conduct and hold meetings of the Creditors to vote on the Plan Amendment, in accordance with a Meetings Order being sought from the Court. If the Plan Amendment is approved by Creditors, it will be filed with the Court for sanction, on or about November 7, 2014. If the Plan Amendment is sanctioned by the Court, the Monitor intends to immediately commence the proposed sale and investor solicitation process. Court approval will be sought for the successful bid (if any).

This process will be implemented in accordance with a timetable set out in the Twentieth Report of the Monitor dated September 18, 2014, and contemplates any transaction arising from the sale and investor solicitation process will be completed by March 13, 2014.

## V. CURRENT CHARACTERISTICS OF THE PORTFOLIO ASSETS

There are also certain characteristics about the Portfolio which should be considered when analyzing whether the Creditors are likely to receive a greater return from the continued administration of the Portfolio than if the Portfolio is sold:

### (a) Age Distribution of the Insureds

The summary below highlights the fact that a high percentage of death benefit of the Portfolio is tied to very senior insureds (over 50% on insureds 90 years old and over, and an additional 30% of insureds 85-89 years old). In summary, approximately 80% of the portfolio is over the age of 85:

**USD**

| Age | Death Benefit | # Policies | % Death Benefit of Total Portfolio |
|---|---|---|---|
| 90 and over | $77,497,476 | 28 | 50.63% |
| 85-89 | $46,550,000 | 14 | 30.41% |
| 80-84 | $7,799,031 | 4 | 5.10% |
| 70-79 | $9,189,068 | 10 | 6.00% |
| 60-69 | $6,804,000 | 17 | 4.45% |

| | | | |
|---|---|---|---|
| 50-59 | $3,079,866 | 28 | 2.01% |
| Under 50 | $2,145,761 | 13 | 1.40% |
| **Total** | **$153,065,202** | **114** | **100.00%** |

**(b) <u>Concentration of Death Benefits</u>**

In addition to the age distribution of the insureds, it is important to consider percentage of death benefits for each age category above.

In the category of 90 years of age and older, approximately USD $51 million of death benefits represent policies on six insureds, comprising more than 66% of the death benefits payable in this category. Furthermore, there is also approximately USD $37 million in death benefits payable upon maturity of the policies for four insureds in the 85-89 years old category. This is more than 80% of the death benefits payable in this category. These 10 "very senior" insureds account for over 57% of the total death benefit of the Portfolio.

**(c) <u>Effect of Age Distribution on Portfolio Value</u>**

Given the age profile of the Portfolio, it is possible that there could be significant levels of maturities in the short term realizing a substantial amount of maturity proceeds and associated reduction in premiums payable.

However, based on L&E's actuarial analysis, there is also a risk to the Creditors that these very senior insureds could continue to live longer. The cost of premium payments for these policies is substantial, and is estimated at approximately USD $1.5 million annually for the six insureds in the 90 years of age and older category, and approximately USD $500,000 for the 85-89 year old category.

Further, the age distribution of the portfolio will be attractive to potential purchasers, given the possibility for significant maturities in the short term. This will have the effect of increasing the value of the Portfolio in a potential sale or investment.

**Conclusion**

Based on the reports received from L&E, USI, in consultation with the Monitor, recommends that the Creditors vote to amend the Plan to provide for the option of selling all or part of the Portfolio. If the amendment is approved and sanctioned by the Court, the Monitor will immediately implement a process to explore the potential sale of the Portfolio by March 13, 2015.

As noted above, USI will continue to monitor and report to the Creditors on any policy maturities and the payment of Death Benefits, while the Monitor concurrently implements a sale process, if the Plan is amended as recommended. If significant maturities occur in the short-term, USI will consider the effect these maturities have on the ongoing potential net cash flows set out in L&E's

analysis and consult with the Monitor who, if it deems it advisable, will seek advice and directions from the Court with respect to the commencement, modification, continuation or termination of the sale and investor solicitation process.

The sale and investor solicitation process will also seek out options for financing, refinancing, or investment proposals in respect of the Portfolio, which will ensure that all avenues are explored to avoid policy lapses as of the end of April 2015.

*Re Universal Settlements International Inc.*

**Court File No.: 08-CL-7878**

*ONTARIO*
SUPERIOR COURT OF JUSTICE
(Commercial List)

PROCEEDINGS COMMENCED AT Toronto

**AFFIDAVIT OF CHRISTOPHER HALAS**
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**COURT FILE NO.: 08-CL-7878**

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

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

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**
**(COMMERCIAL LIST)**

PROCEEDING COMMENCED IN TORONTO

# MOTION RECORD OF THE APPLICANT, UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

**(Returnable September 25, 2014)**

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