

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

**AFFIDAVIT OF CHRISTOPHER HALAS
(sworn February 20, 2009)**

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

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

Nature of the Motion

2. This affidavit is sworn in support of a motion by USI for an Order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA") extending the Stay Period (as defined in the Initial Order) from February 28 to April 30, 2009.

Background

3. On December 2, 2008, USI was granted protection under the CCAA by the Ontario Superior Court of Justice. A copy of the Initial Order is attached hereto as Exhibit "A".

4. The Initial Order granted USI, among other things, a stay of proceedings; a moratorium on the payment of monies to creditors; and the appointment of Ernst & Young Inc. as Monitor (the "Monitor") to oversee the management of USI on a day-to-day basis.

5. USI obtained further Orders from this Court on December 18 and 23, 2008 and January 9 and 23, 2009 which have extended the Stay Period (as defined in the Initial Order) until February 28, 2009, authorized the sale of certain policies held by USI and referred to in these proceedings as the "TPI Portfolio" and granted other relief as sought by USI. A copy of Justice Wilton-Siegel's Orders in this regard are attached hereto as Exhibits "B", "C", "D" and "E", respectively.

Sale of the TPI Portfolio

6. Pursuant to this Court's Order dated January 9, 2009 (Exhibit "C" hereto), USI was authorized to proceed with the sale of the TPI Portfolio on the basis of a Policy Purchase

Agreement dated as of October 15, 2008, as amended by an Amendment Agreement dated January 6, 2009 (the "Policy Purchase Agreement").

7. The sale of the TPI Portfolio was in fact completed on January 27, 2009, and the escrow agent is in receipt of the purchase funds, all in accordance with the Policy Purchase Agreement and as described in my affidavits sworn December 22, 2008 and January 8, 2009 in these proceedings.

8. The transfer of the policies in the TPI Portfolio is currently underway, as contemplated in the Policy Purchase Agreement. I anticipate that the majority of the transfers will be materially complete by April 30, 2009, by which point USI will have access to the majority of the sale proceeds.

9. As indicated in my affidavit sworn December 22, 2008, USI intends to use these proceeds to fund its business in the ordinary course (including the payment of premiums), under the supervision of the Monitor.

10. Attached as Exhibit "F" hereto is a Projected Cash Flow Statement dated February 19, 2009 (the "Projected Cash Flow Statement"). As indicated, USI currently anticipates that it will have sufficient operating funds to carry on business until the end of April 2009, and throughout the time period in which it intends to seek approval of a Meeting Order and draft Plan of Arrangement as described below.

11. However, the Projected Cash Flow Statement anticipates the receipt of three substantial payments from the sale of the TPI Portfolio between February 22 and May 2, 2009. These payments are predicated on the successful transfer of the policies to the purchaser. If this

process is delayed, some of the transfers may not be completed within the anticipated time frame. This could in turn negatively affect USI's cash flow, in which event USI will seek further relief and direction from the Court.

Implementation of the Claims Procedure

12. USI's proposed Claims Procedure was approved by this Court on January 23, 2009, as appears from Exhibit "E" hereto. Since that date, the Monitor has given notice of the Claims Procedure to USI's creditors in the manner described in paragraphs 4 and following of the Claims Procedure Order.

The Plan of Arrangement and the Meeting Order

13. For its part, USI has continued to finalize its Plan of Arrangement.

14. In this regard, USI anticipates the following:

- (a) Its materials for approval of a Meeting Order and draft Plan of Arrangement will be ready for service and filing by **Monday, March 2, 2009;**
- (b) It will seek the Court's approval of a Meeting Order on **Monday, March 9, 2009;**
- (c) It will disseminate the materials for a Meeting of Creditors (including its Plan of Arrangement) by mail and publication on **Monday, March 16, 2009;**
- (d) The Plan of Arrangement will be considered at a Meeting of Creditors on **Monday, April 6, 2009;**

(e) If the Plan is approved by Creditors, USI's Motion for a Sanction Order will be served and filed on **Friday, April 10, 2009**, returnable on **Thursday, April 16, 2009**;

(f) Depending on the conditions in the Plan as to Plan implementation, and on the terms of the Court's Sanction Order, the implementation of the Plan of Arrangement will take place on or about **Monday, April 27, 2009**.

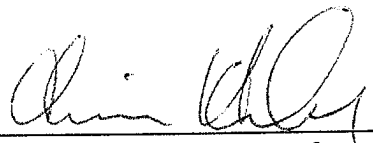
15. USI requests that this Court extend the Stay Period from February 28, 2009 to April 30, 2009, so that the stay of proceedings granted by this Court in its Initial Order will be maintained while USI proceeds with the steps set out in the preceding paragraphs.

16. This affidavit is sworn in support of USI's Motion for an Order extending the Stay Period (as defined in the Court's Initial Order) to April 30, 2009.

SWORN BEFORE ME at the City of
Oklahoma, USA on this 20 day of
February, 2009.



Commissioner for Taking Affidavits



CHRISTOPHER HALAS



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OF ARRANGEMENT OF
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(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF CHRISTOPHER HALAS
(sworn February 20, 2009)

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