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 April 20, 2009)

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.

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"):

(a) Extending the Stay Period (as defined in the Initial Order) from April 30 to May 15, 2009;

(b) Authorizing USI to commence the administrative steps to access the following amounts to fund business operations (including the payment of premiums) between May 23 and June 25, 2009, under the supervision of the Monitor, on the basis that no funds will be used until the matter is further considered by the Court on May 11:

(i) (CAD)$815,294.16 ((USD)$693,000) from the cash value of policies which are corporately owned by USI, either in whole or in part;

(ii) (CAD)$456,043.00 ((USD)$387,637) from the cash value of certain other policies; and

(iii) (CAD)$184,705.88 ((USD)$157,000) from maturities on corporately owned policies which are currently being held in the Death Benefits Account (as defined in the Initial Order).

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. The Initial Order also permitted the transfer to USI of certain funds held in escrow by Ogilvy Renault LLP for the purpose of funding its ongoing operations (including premium payment obligations) under the supervision of the Monitor and the establishment of an account for the payment of premiums (the "Premium Reserve Account").

6. USI obtained further Orders from this Court on December 18 and 23, 2008, January 9 and 23 and February 24, 2009 which have extended the Stay Period (as defined in the Initial Order) until April 30, 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", "E" and "F", respectively.

7. All terms in this affidavit which are not otherwise defined have the meaning ascribed to them in the Initial Order and the further Orders of this Court described in paragraph 6 herein.

Extension of the Stay Period

8. USI requests that this Court extend the Stay Period from April 30 to May 15, 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 following paragraphs.

The Plan of Arrangement

9. The Claims Procedure Order issued on January 23, 2009, Exhibit "E", provided that all claims against USI had to be submitted in the manner set out in the Claims Procedure by the Claims Bar Date, February 23, 2009.

10. By the Claims Bar Date, the Monitor had received over 2,700 Requests for Amendment of Acknowledgments of Claim and Proofs of Claim. Many of these claims were received on or shortly prior to the Claims Bar Date.

11. Of the total number of claims, 99% were filed by Purchasers and 1% by ordinary creditors.

12. The review and assessment of these claims has involved a greater than anticipated expenditure of time and effort on the part of the Monitor, USI and USI's counsel. Many of the claims filed by Purchasers were duplicative or required translation into English. The Monitor and USI were also required to assess the claims filed by ordinary creditors which, although relatively few in number, were significant in terms of the total amount claimed.

13. This impacted USI's efforts to finalize its Plan of Arrangement. While the Plan of Arrangement is not yet ready for distribution, USI anticipates that it will return to Court on **May 11, 2009** and seek approval of a Meeting Order on the basis of the following timetable:

(a) If the Meeting Order is approved, the materials for a Meeting of Creditors (including the Plan of Arrangement) will be disseminated by mail and publication on **May 15, 2009**;

(b) The Plan of Arrangement will be considered at a Meeting of Creditors to take place on **June 9, 2009**;

(c) If the Plan is approved by Creditors, USI's Motion for a Sanction Order will be served and filed on **June 10, 2009**, returnable on **June 14, 2009**;

(d) Depending on the terms of the Court's Sanction Order, the implementation of the Plan of Arrangement will commence on or about **June 25, 2009**.

Sale of TPI Portfolio

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

15. 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 this proceeding.

16. The transfer of the policies in the TPI Portfolio is also underway, as contemplated in the Policy Purchase Agreement. Currently, USI has received proceeds of approximately (USD)$2,140,320 million. On the basis of a conservative estimate, a further (CAD)$138,824 is anticipated by April 30, 2009.

Additional Financing

17. Attached as Exhibit "G" hereto is a Projected Cash Flow Statement dated April 17, 2009. As indicated therein, USI has sufficient operating funds to carry on business operations until May 23, 2009, without having to access the funds described in paragraph 2(b) of this affidavit.

18. However, after May 23, 2009, and specifically between May 24 and June 25, 2009, USI will require access to these funds to meet cash requirements as follows:

(a) (CDN)$545,581 for premium payments, other than those which will be paid from the Premium Reserve Account; and

(b) (CDN)$630,000 for operating and restructuring costs.

19. USI believes that it can provide for these costs in two ways. First, by accessing the "cash-value" in certain corporately owned policies, and second, by accessing corporately owned maturities which are being held in the Death Benefits Account.

i. Cash Value

20. The cash value of a policy results from a premium structure which charges a higher than normal premium and directs the overflow into a savings account. Once the savings account has accumulated enough cash value, the policy owner can use the cash value to pay its premiums and is considered to be "paid-up" on its policy. The cash value can be accessed in one of two ways.

21. First, the owner can withdraw the cash value and continue to make premium payments. Second, the owner can take a loan from the insurance company against the cash value. The loan is secured by the owner's interest in the policy and subject to repayment from the death benefit if not paid prior.

22. USI seeks to access the cash value in certain of its policies in order to pay the expenses described in paragraph 18. USI will seek to access the cash value as follows:

(a) by borrowing against the cash value in policies which it owns, either in whole or in part, in the amount of (CAD)$815,294.16, with such amount to be secured against USI's interest in the policies; and

(b) where a policy has a cash value, by directing its premium to be paid from such cash value, the net effect of which will be a reduction of (CAD)$456,043 in the forecasted Premium Load by June 25, 2009.

ii) Maturity Benefits

23. Pursuant to paragraph 9 of the Initial Order, USI was ordered to hold all policy maturities in an interest bearing trust account called the Death Benefits Account. The Death Benefits Account holds (CAD)$184,705.88 on account of USI's corporately owned policies.

24. USI will seek to use these maturities to pay the expenses described in paragraph 18 if necessary.

25. USI seeks the Court's authorization to commence the administrative steps required to access the cash values and maturities described above, on the basis that no funds will be used until the matter is considered further by the Court on May 11, 2009, and on a complete record, which includes an analysis of the impact, if any, of such use on USI's Creditors.

26. This affidavit is sworn in support of USI's Motion for an Order granting the relief set out herein and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on this 20th day of April, 2009. Commissioner for Taking Affidavits	**CHRISTOPHER HALAS**