

**ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST**

THE HONOURABLE MR.) TUESDAY, THE 22nd DAY
)
JUSTICE R.A. BLAIR *ad hoc*) OF MAY, 2007

**IN THE MATTER OF
CONFEDERATION LIFE INSURANCE COMPANY**

**AND IN THE MATTER OF THE
*INSURANCE COMPANIES ACT, S.C. 1991, AS AMENDED***

**AND IN THE MATTER OF THE
*WINDING-UP ACT, R.S.C. 1985, C.W-11, AS AMENDED***

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -



CONFEDERATION LIFE INSURANCE COMPANY

Respondent

ORDER

THIS MOTION made by KPMG Inc., the liquidator (the “Liquidator”) of Confederation Life Insurance Company (“Confed”), was heard May 15, 2007 at Toronto, Ontario.

ON READING the Report of the Liquidator dated April 30, 2007 (the “Report”), the Affidavit of Robert O. Sanderson sworn April 30, 2007 and the Affidavit of Gale Rubenstein sworn April 27, 2007, filed, and upon hearing the submissions of counsel for the Liquidator, counsel for Parbold Overseas Limited, counsel for UBS Warburg LLC, and James H. Grout, as

representative counsel, no one appearing for the other respondents although properly served as appears from the proof of service, filed:

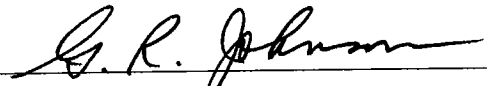
1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials herein is good and sufficient notice of this motion, that this motion is properly returnable today, and that any further service or notice of the motion and supporting materials be and the same is hereby dispensed with.
2. **THIS COURT ORDERS** that the accounts of the Liquidator for the period October 1, 2005 to March 31, 2007, as reflected in the financial statements of Confed attached to the Report, be and they are hereby passed and approved as submitted.
3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator, of its counsel, Goodmans LLP (“Goodmans”), and of the other professional advisors to the Liquidator for the period October 1, 2005 to March 31, 2007, be and they are hereby passed and approved as submitted.
4. **THIS COURT ORDERS** that the Liquidator be and it is hereby authorized to make a tenth interim distribution (“Tenth Distribution”) in the amount of \$50 million to be allocated and distributed in accordance with the settlement approved by this Court on November 28, 2002 (“Post-liquidation Interest Settlement”) between creditors of Confed whose claims are not subordinated (“Ordinary Creditors”) and the holders of subordinated debt (“Sub Debt Holders”).
5. **THIS COURT ORDERS** that notice of the fifth distribution to Sub Debt Holders be in the forms annexed hereto as Schedule “A” and be published on one occasion, in English, in the *Financial Times of London* and the *Luxembourg Wort* on or before May 25, 2007.

6. **THIS COURT ORDERS** that it hereby approves and authorizes payment to the Liquidator and to Goodmans of compensation additional to the fees and disbursements approved by this Court from time to time (“Additional Compensation”), in accordance with the following:

- (i) at the time of the Tenth Distribution, \$6 million as Additional Compensation;
- (ii) after the distribution of the next \$26 million to the Ordinary Creditors and Sub Debt Holders, in accordance with the Post-liquidation Interest Settlement, the next \$1 million as Additional Compensation; and
- (iii) thereafter, the distribution to be paid 50% to the Ordinary Creditors and Sub Debt Holders, in accordance with the Post-liquidation Interest Settlement, and 50% as Additional Compensation.

7. **THIS COURT ORDERS** that it hereby approves and authorizes the payment of \$500,000 to UBS Warburg LLC (“UBS”) as full and final payment in respect of its role as inspector.

8. **THIS COURT ORDERS** that the Liquidator be and it is hereby authorized to arrange for the destruction of certain books and records as described in the Report.



G. JOHNSON

DEPUTY REGISTRAR, SUPERIOR COURT OF JUSTICE
GREFFIER ADJOINT, COUR SUPÉRIEURE DE JUSTICE

ENTERED AT / INSCRIT À TORONTO

ON / BOOK NO:

LE / DANS LE REGISTRE NO.:

MAY 25 2007

PER/PAR: 

Schedule "A"

CONFEDERATION LIFE INSURANCE COMPANY

In Liquidation

("Confed")

**Notice to holders of
Luxembourg Francs 1,000,000,000 8 3/8 per cent. Subordinated Bonds
due March 28, 2000 – XS0041260927**

Notice of Fifth Distribution

KPMG Inc., as Liquidator of Confed (the "Liquidator"), hereby gives notice to holders ("Bondholders") of the above-referenced Bonds as follows:

TAKE NOTE THAT:

On January 31, 2003, the Ontario Superior Court of Justice (the "Court") approved the procedures through which Bondholders may receive their proportionate share of distributions if and when made by the Liquidator. The Liquidator expects that a distribution of Can. \$40 million (the "Fifth Distribution") will be available commencing at noon (London time) on May 30, 2007 (the "Fifth Distribution Date"), provided that Bondholders have complied with the procedures described below.

In order to receive their proportionate share of the Fifth Distribution on or after the Fifth Distribution Date:

- a. If a Bondholder holds Bonds in EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, the relevant Paying Agent must have received either (i) the Bonds, or (ii) a confirmation from EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, as the case may be, that it has irrevocably taken all necessary steps to have such Bonds delivered to the relevant Paying Agent in accordance with the arrangements agreed to between it and the Paying Agent;
- b. If a Bondholder does not hold Bonds in EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, the relevant Paying Agent must have received the Bonds.

When received, the Paying Agent will endorse the Bonds appropriately, depending on whether or not Coupon 2 was attached in respect of the First Distribution. Bonds submitted for the Fifth Distribution where Coupon 2 was not attached under the First Distribution will receive a proportionately reduced payment.

Payment will be made in Canadian dollars as follows:

LUF 50,000 with Coupon 2: \$	331.76	LUF 50,000 without Coupon 2: \$	321.51
LUF 250,000 with Coupon 2: \$	1,658.79	LUF 250,000 without Coupon 2: \$	1,607.56

On or after the Fifth Distribution Date, payment will be made by cheque, cash or transfer as directed by the person presenting the Bonds, as soon as reasonably practicable after receipt of the Bonds or confirmation as set out above. Bonds may be returned by first class prepaid mail.

If a Coupon 2 has been detached from a Bond prior to being presented for payment under the First Distribution, the Paying Agent will not honour that detached Coupon unless or until the Liquidator obtains further directions from the Court.

Further and updated information, including sample calculations and endorsement language, may be obtained from the contact below or by viewing the website maintained by the Liquidator:
<http://www.confederationlife.com> .

Paying Agent:

Fortis Banque Luxembourg S.A.
(formerly Banque Générale du Luxembourg S.A.)
Agence Royal-Monterey
27, avenue Monterey
L-2951 Luxembourg

CONFEDERATION LIFE INSURANCE COMPANY

In Liquidation

("Confed")

**Notice to holders of
£100,000,000 9 7/8 per cent. Subordinated Bonds due March 3, 2003 –XS0041949180**

Notice of Fifth Distribution

KPMG Inc. as Liquidator of Confed (the "Liquidator"), hereby gives notice to holders ("Bondholders") of the above-referenced Bonds as follows:

TAKE NOTE THAT:

On January 31, 2003, the Ontario Superior Court of Justice (the "Court") approved the procedures through which Bondholders may receive their proportionate share of distributions if and when made by the Liquidator. The Liquidator expects that a distribution of Can. \$40 million (the "Fifth Distribution") will be available commencing at noon (London time) on May 30, 2007 (the "Fifth Distribution Date"), provided that Bondholders have complied with the procedures described below.

In order to receive their proportionate share of the Fifth Distribution on or after the Fifth Distribution Date:

a. If a Bondholder holds Bonds in EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, the relevant Paying Agent must have received either (i) the Bonds, or (ii) a confirmation from EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, as the case may be, that it has irrevocably taken all necessary steps to have such Bonds delivered to the relevant Paying Agent in accordance with the arrangements agreed to between it and the Paying Agent;

b. If a Bondholder does not hold Bonds in EUROCLEAR BANK S.A./N.V. or CLEARSTREAM BANKING, SOCIETE ANONYME, the relevant Paying Agent must have received the Bonds.

When received, the Paying Agent will endorse the Bonds appropriately, depending on whether or not Coupon 2 was attached in respect of the First Distribution. Bonds submitted for the Fifth Distribution where Coupon 2 was not attached under the First Distribution will receive a proportionately reduced payment.

Payment will be made in Canadian dollars as follows:

£ 1,000 Bond with Coupon 2: \$	333.65	£ 1,000 Bond without Coupon 2: \$	319.54
£10,000 Bond with Coupon 2: \$	3,336.48	£10,000 Bond without Coupon 2: \$	3,195.36

On or after the Fifth Distribution Date, payment will be made by cheque, cash or transfer as directed by the person presenting the Bonds, as soon as reasonably practicable after receipt of the Bonds or confirmation as set out above. Bonds may be returned by first class prepaid mail.

If a Coupon 2 has been detached from a Bond prior to being presented for payment under the First Distribution, the Paying Agent will not honour that detached Coupon unless or until the Liquidator obtains further directions from the Court.

Further and updated information, including sample calculations and endorsement language, may be obtained from the contacts below or by viewing the website maintained by the Liquidator:
<http://www.confederationlife.com> .

Principal Paying Agent:

**Royal Bank of Canada
71 Queen Victoria Street
London EC4V 4DE**

Paying Agents:

**ING Belgium S.A.
(formerly Bank Brussels Lambert)
Cours Saint Martin 60
B-1040 Brussels
Belgium**

and

**Société Générale Bank & Trust
11-13 avenue Emile Reuter
L-2420 Luxembourg**

THE ATTORNEY GENERAL OF CANADA
Applicant

and

CONFEDERATION LIFE INSURANCE COMPANY
Respondent

Commercial List Court File No: 97-BK-000543

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

GOODMANS LLP
Barristers & Solicitors
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Toronto, Ontario M5B 2M6

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Fax: (416) 979-1234

Graham Smith (LSUC #26377D)
Tel: (416) 597-4161
Fax: (416) 979-1234

Solicitors for KPMG Inc., the Liquidator of
Confederation Life Insurance Company