

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



**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**

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**MOTION RECORD  
(Returnable January 31, 2003)**

**GOODMANS LLP**  
Barristers & Solicitors  
250 Yonge Street  
Suite 2400, Box 24  
Toronto, Ontario M5H 2M6

Gale Rubenstein / LSUC #17088E  
Tel: (416) 597-4148  
Fax: (416) 979-1234

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

# INDEX

<u>DOCUMENT</u>	<u>TAB</u>	<u>PAGE NO.</u>
Notice of Motion	1	3
Draft Order	A	11
Report of the Liquidator dated January 27, 2003	2	14
Order dated November 28, 2002	A	25
Form of Advertisement	B	30
Form of Agreement between the Liquidator and Royal Bank of Canada	C	31
Form of Agreement between the Liquidator and Banque Générale du Luxembourg	D	40
Form of Endorsement with 1995 coupons	E	49
Form of Endorsement without 1995 coupons	F	51
Distribution Calculations	G	53
Proposed Form of First Distribution Notice for Sterling Bonds	H	56
Proposed Form of First Distribution Notice for LUF Bonds	I	59

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

**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***

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**NOTICE OF MOTION**  
(returnable January 31, 2003)

KPMG Inc., the liquidator (the "Liquidator") of Confederation Life Insurance Company ("Confed") will make a motion before the Honourable Mr. Justice Blair on January 31, 2003 at 9:30 a.m., or as soon after that time as the motion can be heard, at 361 University Avenue, Toronto.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

- a) an Order substantially in the form attached as Schedule "A" hereto; and
- b) for such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

- a) The Liquidator is seeking an Order approving a claims paying process, including the terms of paying agency agreements and discharging Montreal Trust Company of Canada, as trustee under the two series of subordinated bonds issued by Confed, and Computershare Trust Company of Canada, as its administrative agent;
- b) Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*;
- c) Sections 33, 35, 76, 93 and 95 of the *Winding-up and Restructuring Act*;
- d) the Orders of this Court made herein on August 15, 1994 and November 26, 2002; and
- e) such further and other grounds as counsel may advise and this Honourable Court permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- a) the Report of the Liquidator dated January 27, 2003; and
- b) such further and other material as counsel may advise and this Honourable Court permit.

January 27, 2003

**GOODMAN PHILLIPS & VINEBERG**  
Barristers & Solicitors  
250 Yonge Street, Suite 2400  
Toronto, Canada M5B 2M6

Gale Rubenstein\LSUC #17088E  
Tel: (416) 979-2211  
Fax: (416) 979-1234

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

**SERVICE LIST**

TO: CompCorp  
1600 - 1 Queen Street East  
Toronto, Ontario  
M5C 2X9

**Attention: Frank Miller**

Tel: (416) 359-2969  
Fax: (416) 955-9688

AND TO: Cassels, Brock & Blackwell  
Scotia Plaza  
2100 - 40 King Street West  
Toronto, Ontario  
M5H 3C2

**Attention: Bruce Leonard**

Tel: (416) 869-5300  
Fax: (416) 360-8877

Solicitors for National Organization of Life and  
Health Insurance Guaranty Associations

AND TO: Fraser Milner Casgrain  
1 First Canadian Place, 41st Floor  
Box 100  
Toronto, Ontario  
M5X 1B2

**Attention: Robb Heintzman**

Tel: (416) 863-4511  
Fax: (416) 863-4592

Solicitors for Confederation Trust Company

AND TO: Osler, Hoskin & Harcourt  
1 First Canadian Place  
P.O. Box 50, Stn. 1<sup>st</sup> Can. Place  
Toronto, Ontario  
M5X 1B8

**Attention: Edward A. Sellers**

Tel: (416) 362-2111  
Fax: (416) 862-6666

Solicitors for The Chase Manhattan Bank

AND TO: Montreal Trust Company of Canada  
c/o Computershare Trust Company of Canada  
100 University Avenue, 11<sup>th</sup> Floor  
Toronto, Ontario  
M5J 2Y1

**Attention: Wade Jamieson**

Tel: (416) 263-9242  
Fax: (416) 263-9261

AND TO: Goodman and Carr  
2300 - 200 King Street West  
Toronto, Ontario  
M5H 3W5

**Attention: Gary Luftspring**

Tel: (416) 595-2326  
Fax: (416) 595-0567

Solicitors for the Former Officers and Directors of  
Confederation Life Insurance Company

AND TO: Dutton, Brock, MacIntyre & Collier  
1700 - 438 University Avenue  
Toronto, Ontario  
M5G 2L9

**Attention: Wayne Morris**

Tel: (416) 593-4411  
Fax: (416) 593-5922

Solicitors for certain former Directors of  
Confederation Life Insurance Company

AND TO: Office of the Superintendent of Financial Institutions  
121 King Street West, 22nd Floor  
Toronto, Ontario  
M5H 3T9

**Attention: Naren Sheth**

Tel: (416) 973-6118  
Fax: (416) 952-1662

AND TO: UBS Warburg LLC  
299 Park Avenue  
New York, New York  
U.S.A. 10171-0026

**Attention: Soren Reynertson**

Tel: (212) 821-3308  
Fax: (212) 821-3008

AND TO: Davies, Ward Phillips & Vineberg  
1 First Canadian Place, 44<sup>th</sup> Floor  
P.O. Box 63, Stn. 1<sup>st</sup> Can. Place  
Toronto, Ontario  
M5X 1B1

**Attention: Jay Swartz**

Tel: (416) 863-0900  
Fax: (416) 863-0871

Solicitors for UBS AG

AND TO: Lenczner Slaght Royce Smith Griffin  
2600 - 130 Adelaide Street West  
Toronto, Ontario  
M5H 3P5

**Attention: Peter H. Griffin**

Tel: (416) 865-9500  
Fax: (416) 865-9010

Solicitors for Ernst & Young LLP

AND TO: Bodman, Longley & Dahling LLP  
110 Miller, Suite 300  
Ann Arbor, Michigan 48104

**Attention: James Walsh**

Tel: (734) 761-3780  
Fax: (734) 930-2494

Counsel to the U.S. Rehabilitator

AND TO: Osler Hoskin & Harcourt  
1 First Canadian Place  
P.O. Box 50  
Toronto, Ontario  
M5X 1B8

**Attention: Frederick L. Myers**

Tel: (416) 862-6757  
Fax: (416) 862-6666

Counsel to Confederation Treasury Services Limited

AND TO: Koskie Minsky  
900 - 20 Queen Street West  
P.O. Box 52  
Toronto, Ontario M5H 3R3

**Attention: Susan Rowland**

Tel: (416) 977-8353  
Fax: (416) 977-3316

AND TO: M.H. Davidson & Co.  
Davidson Kempner Partners  
3300 - 885 Third Avenue  
New York, New York  
U.S.A. 10022-4834

**Attention: Michael J. Leffell**

Tel: (212) 371-4104  
Fax: (212) 371-4318

AND TO: Ogilvy Renault  
Merrill Lynch Canada Tower, Box 11  
200 King Street West, Suite 1100  
Toronto, Ontario M5H 3T4

**Attention: Derrick Tay**

Tel: (416) 340-6032  
Fax: (416) 977-5239

AND TO: Michael Winschuh  
Managing Director  
Primeshares (New York)  
60 Madison Avenue, 2<sup>nd</sup> Floor  
New York, N.Y. 10010

Tel: (212) 889-1937  
Fax: (212) 889-2231

AND TO: Siskind, Cromarty, Ivey & Dowler  
680 Waterloo Street  
P.O. Box 2520  
London, Ontario  
N6A 3V8

**Attention: C. Scott Ritchie**

Tel: (519) 672-2121  
Fax: (519) 672-6065

AND TO: Borden Ladner Gervais, LLP  
1000 Canterra Tower  
400 Third Avenue S.W.  
Calgary, Alberta  
T2P 4H2

**Attention: Patrick T. McCarthy, Q.C.**

Tel: 403-232-9500  
Fax: 403-266-1395

AND TO: Borden Ladner Gervais LLP  
Scotia Plaza  
40 King Street West  
Toronto, ON  
M5H 3Y4

**Attention: Roger Jaipargas**

Tel: 416 367-6266  
Fax: 416 361-7067

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

THE HONOURABLE MR. ) FRIDAY, THE 31<sup>ST</sup> DAY  
JUSTICE R.A. BLAIR ) OF JANUARY, 2003

**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**

B E T W E E N:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**ORDER**

**THIS MOTION**, brought by KPMG Inc., the liquidator (the "Liquidator") of Confederation Life Insurance Company ("Confed"), was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated January 27, 2003, filed, (the "Report") and upon hearing the submissions of counsel for the Liquidator, of Derrick C. Tay,

counsel for Montreal Trust Company of Canada, as trustee under the two series of subordinated bonds (the "Bonds") issued by Confed, and Computershare Trust Company of Canada, as its administrative agent (collectively, the "Trustee"), and of ●, no other party appearing,

1. **THIS COURT ORDERS** that the Trustee be and is hereby discharged from any and all obligations arising under or in relation to a trust agreement between the Trustee and Confed dated as of January 28, 1993 and a trust indenture between them dated as of March 3, 1993.

2. **THIS COURT ORDERS** that the proposed agreements, substantially in the form attached to the Report (the "Agreements"), between the Liquidator and the Royal Bank of Canada ("RBC") and between the Liquidator and Banque Générale du Luxembourg ("BGL"), pursuant to which, among other things, RBC and BGL are appointed as Principal Paying Agents, be and are hereby approved.

3. **THIS COURT ORDERS** that, without limiting the liability and obligations of RBC and BGL to the Liquidator under the terms of the Agreements, RBC and BGL shall have no liability in respect of, and shall not incur any obligation, liability or indebtedness as a result of, complying with the provisions of the Agreements.

4. **THIS COURT ORDERS** that the process for payment of distributions declared by the Liquidator to holders of the Bonds, as described in the Report and the Agreements, is hereby approved.

5. **THIS COURT ORDERS** that the notices of the first distribution, substantially in the form attached to the Report as Schedules "H" and "I", and the publication thereof as described in the Report, be and are hereby approved.

---

**ONTARIO SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**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**

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**REPORT OF KPMG INC., THE LIQUIDATOR OF  
CONFEDERATION LIFE INSURANCE COMPANY**

**January 27, 2003**

**I. NATURE OF THIS MOTION**

1. This report is filed in support of a motion by KPMG Inc. the liquidator (the “Liquidator”) of Confederation Life Insurance Company (“Confed”) for an order:

- (a) approving the forms of letter agreements (the “Agreements”), to be entered into by the Liquidator with the Royal Bank of Canada (“RBC”), concerning the Sterling Bonds (as hereinafter defined), and with Banque Générale du

Luxembourg (“BGL”), concerning the LUF Bonds (as hereinafter defined), appointing RBC and BGL, respectively as principal paying agents of the Liquidator;

- (b) approving the process through which the holders of the Sterling Bonds and the LUF Bonds will receive payment from distributions to be made by the Liquidator;
- (c) approving the form of advertisement providing notice of the first distribution to be made to holders of the Sterling Bonds and LUF Bonds;
- (d) discharging Montreal Trust Company of Canada, as trustee under the two series of subordinated bonds issued by Confed, and Computershare Trust Company of Canada, as its administrative agent (collectively, the "Trustee").

## **II. BACKGROUND**

2. Confed issued subordinated indebtedness (the “Sub Debt”) pursuant to separate trust indentures in the form of two series of subordinated bonds (the “Bonds”), being:

- (a) in January 1993, a series of Luxembourg Francs 1,000,000,000 due March 28, 2000 and bearing interest of 8 3/8% per annum (the “LUF Issue”, the bonds thereof being referred to herein as the “LUF Bonds”); and
- (b) in March 1993, a series of £100,000,000 due March 3, 2003 and bearing interest at 9 7/8% per annum (the “Pounds Sterling Issue” the bonds thereof being referred to herein as the “Sterling Bonds”).

3. By Order dated November 28, 2002, attached hereto as Schedule “A”, this Court:

- (a) approved a settlement (the "Settlement") between ordinary creditors (the "Ordinary Creditors") and holders of the Bonds;
- (b) allowed a global claim for the Sub Debt in the amount of \$267,299,686; and
- (c) authorized the Liquidator to distribute \$75 million, to be allocated between the Ordinary Creditors and holders of the Bonds in accordance with the Settlement.

4. In the Liquidator's Report dated November 20, 2002, filed in support of the motion heard on November 26, 2002, this Court was advised that the Liquidator intended to return to this Court for approval of a claims paying process, including the terms of a paying agency agreement. The Liquidator also advised this Court that it had agreed with the Trustee, in respect of both the LUF Issue and the Pounds Sterling Issue, that the services of the Trustee were no longer required. The Liquidator and the Trustee have further agreed that the Trustee should be discharged from all obligations under the two trust indentures.

5. The Liquidator and its counsel have had extensive discussions with the London, U.K. office of RBC, the original Principal Paying Agent for the Pounds Sterling Issue, and its Canadian counsel, and indirect communication with BGL the successor to Banque UCL S.A., the original "Fiscal Agent" for the LUF Issue concerning the mechanical process through which holders of the Bonds should be paid.

6. On or about December 12, 2002, the Liquidator caused to be published in the *Financial Times of London* and the *Luxemburg Wort*, a notice to holders of the Bonds advising of the approval of the Settlement and the fact that a distribution of \$55 million was expected to be made before February 28, 2003. A copy of the text of this advertisement is attached hereto as Schedule "B".

### III. THE AGREEMENTS

7. The Agreements are the result of negotiations between the Liquidator, RBC and BGL, with their respective counsel. Copies of the proposed Agreements with RBC ( the "RBC Agreement") and with BGL (the "BGL Agreement") are attached hereto as Schedules "C" and "D", respectively.

8. The essential terms of the Agreements may be summarized as follows:

- (a) RBC, in the one case, and BGL, in the other case, are appointed as principal paying agents ("Principal Paying Agents") for distributions to the Sterling Bonds and the LUF Bonds, respectively;
- (b) the Liquidator agrees to pay promptly the compensation agreed to in writing between the parties, and to reimburse them for their reasonable expenses in connection with such engagement, including the reasonable fees and expenses of their legal counsel, and the cost of publishing notice of each distribution in such manner and in such newspapers as the Liquidator and the Principal Paying Agents may agree;
- (c) in the RBC Agreement, the Principal Paying Agent shall retain and shall compensate other paying agents (the Principal Paying Agents and such other paying agents are referred to herein collectively as the "Paying Agents") named in the original paying agency agreements entered into by Confed at or about the date of the issuance of the respective bond issues;

- (d) the compensation and estimated expenses which the Liquidator has agreed to pay in advance of the first distribution are set out as a schedule to each of the Agreements;
- (e) the Liquidator agrees to indemnify and hold harmless the Principal Paying Agents from and against all claims incurred (without bad faith or negligence) by them arising out of or in any way connected with any of the Paying Agents acting as agent of the Liquidator or otherwise in the performance of their duties under the Agreements;
- (f) the parties acknowledge and agree that the indemnity obligation shall not be a personal liability of the Liquidator but, until the Liquidator is discharged, will rank as against the assets of the estate *pari passu* with the costs, charges and expenses, incurred in the winding-up;
- (g) the parties also acknowledge that the existence of the indemnity shall not interfere with the Liquidator's ability to declare and make distributions from the estate;
- (h) the Agreements will not prevent the Liquidator from seeking and obtaining its discharge (on notice to the Principal Paying Agents) notwithstanding the existence of this indemnity. The Agreements therefore provide for a "Reserve" to which the Liquidator shall contribute, after Court approval, and which shall be held by each of RBC and BGL as a contingency to be drawn against for costs and expenses to which the Liquidator's indemnity would apply, provided, however, that at the time of the Liquidator's discharge the Reserve, in each case, will become the property of the respective Principal Paying Agents;

- (i) the initial contribution to each Reserve is to be \$30,000.00, with the understanding that at the time that approval is sought for each subsequent distribution the parties will assess the need to top up or even increase the amount of each Reserve, subject to approval of this Court;
- (j) the Liquidator agrees to pay the reasonable fees and expenses of Stikeman Elliott (Toronto) as counsel for the Principal Paying Agents relating to the negotiation of the Agreements and otherwise relating to the distributions;
- (k) the Liquidator agrees to give the Principal Paying Agents at least 15 business days prior notice of any proposed distributions; and
- (l) the Principal Paying Agents agree to hold all monies received for distribution in a separate account or accounts in trust for payment to the holders of the Bonds.

#### **IV. PAYMENT PROCESS**

9. The Sterling Bonds and the LUF Bonds were issued with coupons attached for each year in which interest was expected to accrue up to maturity.

10. For both issues of Bonds, Confed paid, prior to commencement of the winding-up, the amounts required for the Coupons due in March, 1994. In calculating the global claim for the Sub Debt, as approved by the November 28 Order, the Liquidator therefore calculated the amount of interest that accrued from the relevant due date in March of 1994 to August 12, 1994, for each of the Pounds Sterling Issue and the LUF Issue, and added that amount to the principal. No post-liquidation interest is included in the global claim calculation.

11. The noon spot rate of exchange for pounds sterling on August 12, 1994 was \$2.1353. The noon spot rate of exchange for Luxembourg francs on August 12, 1994 was \$0.04297. Therefore, the face amount of the LUF Issue is \$42.97 million and of the Pounds Sterling Issue is \$213.53 million. With interest accrued at the specified rate for each issue to the commencement of the liquidation, the total amount outstanding for the LUF issue is \$44,339,520 and for the Pounds Sterling Issue is \$222,960,166. The total Sub Debt outstanding with interest accrued to the commencement of the liquidation is \$267,299,686.

12. For the Sterling Bonds the interest accrued to August 12, 1994 is attributable to the coupons that became due on March 3, 1995, and for the LUF Bonds the interest accrued to August 12, 1994 is attributable to the coupons that became due on March 28, 1995 (such coupons in each case are referred to herein as the "1995 Coupons").

13. The Liquidator proposes that any distributions towards Sub Debt pursuant to the Settlement should be paid only to holders of the Sterling Bonds, holders of the LUF Bonds, and holders of any of the 1995 Coupons, in their respective *pro rata* amounts, and that any other coupons shall not be entitled to any payment.

14. Since it is possible that some holders of the Bonds may have separated the 1995 Coupons from the Bonds and traded them, the Liquidator and RBC have agreed on the language of the endorsement stamps that will be applied to the Bonds when tendered for payment, depending on whether or not the 1995 Coupon is attached. The endorsements will ensure that the bearers will receive only what they are entitled to in respect of any distribution made by the Liquidator under this process. The form of endorsement for Bonds tendered with their 1995 Coupons attached is attached hereto as Schedule "E" and the form of endorsement for Bonds tendered without their 1995 Coupons attached is attached hereto as Schedule "F".

15. The Liquidator has also made the calculations of the amounts payable for each denomination of Bonds, with and without the 1995 Coupons, for the first distribution of \$55 million. These calculations are set out in Schedule "G" hereto.

16. In order to limit the opportunity for trading in worthless coupons, and also to ensure that there is no subsequent trading of a 1995 Coupon that is attached at the time that it is tendered with its bond for payment of the first distribution, it is proposed that all coupons will be removed by the Paying Agents (after stamping the bonds with the appropriate endorsement).

17. Since the 1995 Coupons are physically small in size, the Principal Paying Agents are concerned that there is no efficient and effective method to endorse them in respect of each potential distribution. Furthermore, given that the 1995 Coupons are entitled to only a small amount individually (and in total only approximately 3% of each distribution) the Principal Paying Agents are concerned that the costs of handling what is expected to be a small number of detached 1995 Coupons at each distribution will be significantly out of proportion with the amounts being paid to such Coupons.

18. Unfortunately, the Principal Paying Agents at this time do not have sufficient information to reasonably estimate the number and denomination of 1995 Coupons that have been detached and are held separately from their respective Bonds. The Liquidator therefore does not recommend that a final decision be made at this time concerning a process for dealing with the detached 1995 Coupons. Instead, the Liquidator recommends that holders of the detached 1995 Coupons be prohibited from collecting payment out of the first distribution until after the Liquidator obtains further direction of this Court, which will be sought no later than when approval is sought for the next distribution. After the Principal Paying Agents have paid out a significant portion of the first distribution, it is expected that they will have accumulated

sufficient statistics to make a reasonable estimate as to the number and face value of detached 1995 Coupons. At that time the Liquidator will consult with the Principal Paying Agents and propose to this Court a process for, or alternative to, paying the distributions to holders of these detached 1995 Coupons.

19. The proposed forms of advertisement advising holders of the Bonds of the above process (the "First Distribution Notices"), are attached hereto as Schedule "H" (for the Sterling Bonds) and the Schedule "I" (for the LUF Bonds). If approved, the Liquidator and the Principal Paying Agents intend to cause the First Distribution Notices to be published in English only, in both of the *Financial Times of London* and the *Luxemburg Wort*, on or about February 20, 2003.

20. In recognition of the agency relationship between the Liquidator and the Principal Paying Agents, the Liquidator recommends that the Court extend protection to the Principal Paying Agents for liability arising as a result of acting in accordance with the Agreements and the Order sought herein.

21. If all of the above is approved by this Court, the Liquidator intends to make the first distribution payable on or about February 27, 2003.

22. The Principal Paying Agents have advised the Liquidator that they hold in separate accounts certain undistributed funds remaining from Confed's payment in respect of Coupons that became due in March, 1994 ("1994 Coupons"). These remaining amounts are a result of a relatively small number of 1994 Coupons not having been tendered for payment. Pursuant to the terms of the Bonds, Coupons become void if not tendered within five years after funds are made available to pay them out. Strictly speaking, the untendered 1994 Coupons to which the remaining amounts relate could be considered to be void. However, given that the

commencement of the winding-up occurred within months after the distribution was declared in respect of the 1994 Coupons, the Liquidator believes that it would be fair and reasonable to instruct the Principal Paying Agents to honour 1994 Coupons if they are properly presented for payment, to the extent of these remaining amounts. The Liquidator intends to seek further directions of this Court should there be remaining amounts still unpaid when the Liquidator seeks approval of a final distribution in respect of the Bonds.

## **V. RECOMMENDATIONS**

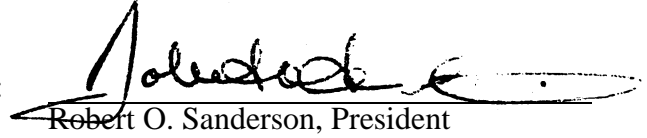
23. The Liquidator therefore recommends that this Court:

- (a) approve the Agreements, in substantially the forms annexed hereto;
- (b) approve the process for payment to holders of the Sterling Bonds and the LUF Bonds, as described herein;
- (c) approve the First Distribution Notice, in substantially the form annexed hereto and the publication thereof as described herein; and
- (d) discharge the Trustee from its obligations under the relevant trust indentures.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**KPMG INC.**, the Liquidator of Confederation Life  
Insurance Company

Per:



Robert O. Sanderson, President



Commercial List Court File No. 97-BK-000543

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

THE HONOURABLE MR.  
JUSTICE R.A. BLAIR

)  
)

THURSDAY, THE 28<sup>TH</sup> DAY  
OF NOVEMBER, 2002

**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**

B E T W E E N:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**O R D E R**

**THIS MOTION**, brought by KPMG Inc., the liquidator (the “Liquidator”) of Confederation Life Insurance Company (“Confed”), was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated November 20, 2002, filed, and upon hearing the submissions of counsel for the Liquidator, of James H. Grout, representative

counsel for the ordinary creditors of Confed (the “Ordinary Creditors”), of Derrick C. Tay, representative counsel for the holders of the subordinated indebtedness (the “Sub Debt”) of Confed (the “Sub Debt Holders”), (collectively, the “Representative Counsel”) of Chase Manhattan Bank, of Parbold Overseas Ltd., and of UBS AG, no other party appearing;

1. **THIS COURT ORDERS** that the settlement reached between the Representative Counsel providing that any monies remaining in the estate after Ordinary Creditors have received payment of 100% on their allowed claims (the “Settlement”) be paid in accordance with the following formula:

- (a) the first \$55 million to be paid to Sub Debt Holders on account of the principal amount outstanding on the Sub Debt on a *pro rata, pari passu* basis in accordance with their interests in the Sub Debt;
- (b) the next \$20 million to be paid to the Ordinary Creditors on a *pro rata, pari passu* basis on account of interest on their allowed claims from August 12, 1994, being the commencement of the liquidation; and
- (c) distributions of any amounts in excess of \$75 million be paid 80% to the Sub Debt Holders and 20% to the Ordinary Creditors, both on the basis set out in (a) and (b) above.

2. **THIS COURT ORDERS** that a global claim for the Sub Debt of \$267,299,686 be allowed.

3. **THIS COURT ORDERS** that the Liquidator is authorized to make a distribution of \$75 million, to be allocated between the Ordinary Creditors and the Sub Debt Holders in accordance with the Settlement.

*Colin Gray*  
\_\_\_\_\_  
*Registrar*

G26\4461243.3

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

DEC 0 2 2002

PER/PAR:

*NB*

**THE ATTORNEY GENERAL OF  
CANADA**

and

**CONFEDERATION LIFE INSURANCE  
COMPANY**

Commercial List Court File No: 97-BK-000543

Applicant

Respondent

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

Proceeding commenced at Toronto

**ORDER**

**GOODMANS LLP**  
Barristers & Solicitors  
250 Yonge Street  
Suite 2400, Box 24  
Toronto, Ontario  
M5B 2M6

Benjamin Zarnett\ LSUC#: 17247M  
Gale Rubenstein\ LSUC#: 17088E

Tel: (416) 979-2211  
Fax: (416) 979-1234

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

G26\4461243.3

**THE ATTORNEY GENERAL OF  
CANADA**

and

**CONFEDERATION LIFE INSURANCE  
COMPANY**

Court File No: 97-BK-000543

Applicant

Respondent

---

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

Proceeding commenced at Toronto

---

**MOTION RECORD  
(Returnable January 31, 2003)**

---

**GOODMANS LLP**  
Barristers & Solicitors  
250 Yonge Street  
Suite 2400, Box 24  
Toronto, Ontario  
M5H 2M6

Gale Rubenstein \ LSUC #17088E  
Tel: (416) 597-4148  
Fax: 416.979.2211

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

Our File No.: 94.1219

G26\4469410.1

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

KPMG Inc. as Liquidator of Confed (the "Liquidator"), hereby gives notice to holders ("Sub Debt Holders") of the above-referenced subordinated debt ("Sub Debt") as follows:

**TAKE NOTE THAT:**

On November 28, 2002, the Ontario Superior Court of Justice (the "Court") approved a settlement made between representative counsel for ordinary creditors of Confed (the "Ordinary Creditors") and representative counsel for the Sub Debt Holders.

Under the settlement, any monies remaining in the estate after Ordinary Creditors have received payment of 100% on their allowed claims will be distributed in accordance with the following formula:

- a. the first Can.\$55 million to Sub Debt Holders on account of the amount outstanding on the Sub Debt as at August 12, 1994 (the "1994 Amount"), on a *pro rata, pari passu* basis in accordance with their interests in the Sub Debt;
- b. the next Can.\$20 million to the Ordinary Creditors on a *pro rata, pari passu* basis on account of interest on their allowed claims from August 12, 1994, being the commencement of the liquidation; and
- c. of any amounts in excess of Can.\$75 million, 80% to the Sub Debt Holders and 20% to the Ordinary Creditors, both on the basis set out in (a) and (b) above.

The Court also approved a first distribution of Can.\$75 million. In accordance with the settlement, Can.\$55 million will be paid to Sub Debt Holders on account of the 1994 Amount outstanding on the Sub Debt, equivalent to about 20.6 cents on the dollar, based on exchange rates as at August 12, 1994, and Can.\$20 million will be paid to Ordinary Creditors, equivalent to about 5.7 cents on the dollar of their allowed claims.

The Liquidator will apply to the Court for directions for approval of a payment mechanism, including advertising, in respect of distributions to Sub Debt Holders. It is expected that the first payment will be made before February 28, 2003, but no date has yet been set.

For further and up-dated information, please view the website: <http://www.confederationlife.com>. Contact information is also available on the website.

## SCHEDULE "C"

January ●, 2003

KPMG Inc. in its capacity as liquidator  
of Confederation Life Insurance Company  
Commerce Court West  
33rd floor (Courier 36th fl)  
Toronto, Ontario M5L 1H3Z

Attention: Mr. Robert Sanderson

Dear Sirs,

**Re: Confederation Life Insurance Company £100,000,000  
9 7/8% Subordinated Bonds due 2003.**

We refer to that certain Paying Agency Agreement (the "**Paying Agency Agreement**") dated as of 3rd March, 1993 between Confederation Life Insurance Company ("**Confed**"), as Issuer, Montreal Trust Company of Canada, as trustee, Royal Bank of Canada, as principal paying agent, and the other paying agents named therein. We understand that the Ontario Court (General Division) (now the Ontario Superior Court of Justice) (the "**Court**") on August 15, 1994 ordered that Confed be wound-up pursuant to the Winding-up Act and that on September 10, 1997 the Court appointed KPMG Inc. as permanent liquidator of Confed (the "**Liquidator**"). On November 28, 2002, the Court approved a settlement made between the representative counsel for the Ordinary Creditors and for the Sub Debt Holders (being the holders of the above-noted bonds (the "**Bonds**") and the holders of the LUF 1,000,000,000 8 3/8% Subordinated Bonds due March 28, 2000.

Under the settlement, any monies remaining in the Confed estate after Ordinary Creditors have received payment of 100% on their allowed claims will be distributed in accordance with the following formula:

the first \$55 million to Sub Debt Holders on account of the amount outstanding on the Sub Debt as at August 12, 1994 (the "1994 Amount"), on a pro rata, pari passu basis in accordance with their interests in the Sub Debt;

the next \$20 million to the Ordinary Creditors on a pro rata, pari passu basis on account of interest on their allowed claims from August 12, 1994, being the commencement of the liquidation; and

of any amounts in excess of \$75 million, 80% to the Sub Debt Holders and 20% to the Ordinary Creditors, both on the basis set out in (a) and (b) above.

The Court also confirmed that the total claim of the holders of the Bonds is \$222,960,166, which amount includes a claim for the principal amount thereof and interest accrued thereon to August 12, 1994. This claims are based upon an exchange rate that is the Bank of Canada noon spot rate of exchange for Pounds Sterling on August 12, 1994, the date the liquidation is deemed to have commenced, which was \$2.1353 per Pound Sterling. The Canadian dollar amounts in respect of such claims form the basis of amounts from time to time to be distributed by the Liquidator to the holders of Subordinated Bonds and coupons appertaining thereto are referred to herein as “**Distributions**”.

We further understand that, subject to obtaining an appropriate order of the Court, the Liquidator intends to make Distributions only to the holders of the Bonds and those coupons appertaining thereto that were due on March 3, 1995 (the “**1995 Coupon**”). Holders of any other coupons appertaining to the Bonds will not be entitled to any part of the Distributions.

You have asked that we act as your agent in effecting Distributions from time to time as the Court may approve. We are pleased to confirm that we would be pleased to act as your agent in respect of such Distributions to be made in the manner described above (in such capacity we are referred to herein as the “**Principal Paying Agent**”) upon and subject to the terms and conditions set out in this letter agreement.

1. The Distributions will be made on the following basis:
  - (a) Bonds must be presented for payment to the Principal Paying Agent or to any of the other Paying Agents as defined below at one of the locations set out on Schedule “A”.
  - (b) Each bond so presented with the 1995 Coupon appertaining thereto attached, will entitle the holder to receive the full amount of the first Distribution made in respect of the claim for the principal amount of such Bond and the claim for interest accrued thereon to

August 12, 1994 (the “**Accrued Interest**”). Any Paying Agent receiving such Bond will remove the 1995 Coupon and any other coupon attached thereto. As soon as reasonably practicable after receipt of such a Bond the relevant Paying Agent will return, to the person presenting such Bond or as he may direct, the remaining certificate representing such Bond with the full amount of the first Distribution made in respect of such Bond and the Accrued Interest relating to the 1995 Coupon removed there from endorsed thereon, together with payment of such amount by cheque or in cash or by transfer to such person or as he may direct. Thereafter, all subsequent Distributions in respect of such claims will be made to the holder of such endorsed Bond certificate upon presentation thereof. Bonds may be returned by first class mail.

- (c) Each Bond so presented without the 1995 Coupon appertaining thereto attached, will entitle the holder thereof to receive only the amount distributed in respect of the claim for the principal amount of such Bond. Any Paying Agent receiving such Bond will remove any coupon attached thereto. Any Paying Agent receiving such a Bond will return such Bond together with the amount of the first Distribution made in respect of the claim for the principal amount such Bond only endorsed thereon together with payment of such amount, all as provided in paragraph (b) above. Thereafter, all subsequent Distributions in respect of the claim for the principal amount of such Bond will be made to the holder of such endorsed Bond certificate upon presentation thereof.
- (d) The holder of the 1995 Coupon appertaining to such Bond (the “**Detached 1995 Coupon**”) will be entitled to receive only Distributions in respect of the claim for Accrued Interest relating to such Bond. A process for, and timing of, payment of such Distributions to holders of Detached 1995 Coupons, or an alternative to the payment of such Distributions, will be discussed between the Liquidator and the Principal Paying Agent once a sufficient number of Bonds have been processed for payment in respect of the first Distribution to permit

the Principal Paying Agent to reasonably estimate the quantum of aggregate potential claims for Accrued Interest in respect of Detached 1995 Coupons. Following such discussions, the Liquidator will seek Court approval of the proposed mechanism for, or alternative to, payment of such Distributions. Such approval will be sought no later than at the time when approval is sought of a second distribution to the Bonds. No payments shall be made to holders of Detached 1995 Coupons until after Court approval is obtained.

2. Unless otherwise provided in this letter, initially capitalized terms used herein that are defined in the Paying Agency Agreement have the same meanings herein.
3. The Principal Paying Agent shall be entitled to compensation payable (together with any applicable value added tax or similar tax thereon) in the amount, in the manner and at the time and place to be agreed upon in writing with the Liquidator for all services rendered by us and the other Paying Agents. Subject to the provisions hereof, the Liquidator agrees to pay promptly such compensation and to reimburse the Principal Paying Agent for its reasonable expenses in connection herewith, including without limitation the reasonable fees and expenses of its legal counsel, Stikeman Elliott and the cost of publishing notice of each Distribution in such manner and in such newspapers or other publications as the Liquidator and the Principal Paying Agent may agree. The Principal Paying Agent will retain the other paying agents named in Schedule "A" hereto as paying agents in respect of the Distributions (the Principal Paying Agent and such other paying agents are referred to herein collectively as the "**Paying Agents**"). The other Paying Agents shall not be entitled to any compensation from the Liquidator but shall be compensated by the Principal Paying Agent in the amount, in the manner and at the time and place to be agreed by them with the Principal Paying Agent. The Principal Paying Agent agrees to pay such compensation in the manner so agreed upon with the Paying Agents.
4. To provide the Principal Paying Agent with a reserve for the payment of its fees, costs and expenses any Claims, as defined below, or potential Claims, the Liquidator will, at the time of each Distribution, pay to the Principal Paying Agent an amount to be determined by the Principal Paying Agent, acting reasonable, and approved by the Court. The aggregate amount from time to time so paid to and held by the Principal paying Agent is referred to herein as the "**Reserve**". The

initial payment into the Reserve is set out in Schedule “A”. Until such time as the Liquidator has been discharged as such, the Principal Paying Agent will hold the Reserve in trust for application, from time to time, to the payment of its fees, costs and expenses including, without limitation, the fees, costs and expenses of the other Paying Agents and any Claims and will on a regular basis provide the Liquidator with an accounting of the receipt and disbursement of the Reserve, including, but not limited to, an annual report of the status of the Reserve as at December 31 of every calendar year, to be provided by January 31, of the next year.

5. Subject to the provisions hereof, the Liquidator shall indemnify and hold harmless the Principal Paying Agent, its directors, officers, agents and employees from and against any and all claims, losses, damages, injuries, liabilities and expenses (including legal fees and disbursements) incurred (without bad faith or negligence) by the Principal Paying Agent or its directors, officers, agents or employees, arising out of or in any way connected with any of the Principal Paying Agent acting as agent of the Liquidator or otherwise in the performance of its duties hereunder (“**Claims**”). It is the intention of the Liquidator to constitute the Principal Paying Agent as trustee for its directors, officers, agents and controlling persons of the covenants of the Liquidator in this paragraph with respect to such directors, officers, agents and controlling persons and the Principal Paying Agent agrees to accept such trust and to hold and enforce such covenants on behalf of such persons; **provided however that** the Principal Paying Agent hereby acknowledges and agrees on its own behalf and on behalf of its directors, officers, agents and controlling shareholders that (a) the Liquidator shall not have any personal liability or obligation hereunder and (b) any amount payable hereunder, including, without limitation, in respect of foregoing indemnity, shall be payable only out of the Reserve and, until the Liquidator has been discharged by the Court, the remaining property in the estate of Confed and the proceeds thereof and as a claim against such property shall rank *pari passu* with costs, charges and expenses incurred in the wind-up of Confed. The Liquidator agrees that it will advise the Principal Paying Agent if a Distribution will be the final Distribution before the Liquidator seeks to be so discharged. However, it is understood and acknowledged that the Liquidator will declare, calculate and pay all Distributions notwithstanding and without regard to the existence of this indemnity. Upon receipt by the Principal Paying Agent of the aggregate amount of such final Distribution and the amount in respect of such Distribution that is to be added to the Reserve, the Liquidator and the

estate of Confed shall be released from any further obligation hereunder to the Principal Paying Agent, its directors, officers, agents or controlling shareholders in respect of fees, costs, expenses and Claims and the aggregate amount then in the Reserve shall become the property of the Principal Paying Agent. In addition, any amounts held by the Principal Paying Agent for payment to the holders of Subordinated Bonds or 1995 Coupons after the expiration of the period of five years following the date the final Distribution is made to the Principal Paying Agent shall become the property of the Principal Paying Agent and no holder of any Subordinated Bonds or any coupon appertaining thereto shall have any claim thereto unless prior to the expiration of such period it has presented the relevant Subordinated Bond or 1995 Coupons to a Paying Agent for payment of such amounts.

6. The Liquidator will give the Principal Paying Agent notice of its intention to seek court approval of a Distribution in sufficient time to permit the Principal Paying Agent to determine the amounts required by it on account of its fees, expenses and the Reserve in respect of such Distribution. The Principal Paying Agent will notify the Liquidator of such amount as soon as reasonably practicable. Thereafter, the Liquidator will give the Principal Paying Agent at least 15 Business Days prior notice of the proposed Distribution or such other period as the parties hereto may agree upon. The Liquidator will provide the Principal Paying Agent and its legal counsel with drafts of all notices, reports, orders of the Court and other documentation relevant thereto in order that it may provide its comments thereon.
7. At least three Business Days (being a day, other than a Saturday or Sunday, on which banks are open for business in Toronto, London and Luxembourg) prior to the date set for any proposed Distribution, the Liquidator will pay the aggregate amount of such proposed Distribution together with the amount to be paid into the Reserve in respect of such Distribution, to the account of the Principal Paying Agent at such bank in Toronto as the Principal Paying Agent may direct in same day value funds in Canadian dollars, to be held and applied by the Principal Paying Agent as provided by order of the Court and herein. If the Principal Paying Agent does not receive the aforementioned amounts, neither it nor any other paying agent shall be bound to make the Distribution until such time as such amounts are received by the Principal Paying Agent.
8. Subject to paragraph 5 above, all monies received and held by the Principal Paying Agent for distribution to the holders of Subordinated

Bonds and 1995 Coupons shall be held in a separate account or accounts in trust for payment to such holders as provided by order of the Court and herein.

9. Principal Paying Agent is acting solely as agent of the Liquidator and does not thereby or hereby assume any obligation, liability or duty to or relationship of agency or trust for or with the owners or holders of the Subordinated Bonds or the Coupons, or both or to the Trustee.
10. The Principal Paying Agent may consult as to legal matters with counsel of their selection and shall be protected and shall incur no liability for action taken or not taken, or suffered to be taken or not taken, with respect to such matters in good faith and in accordance with opinions and advice of such counsel.
11. The Paying Agents shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by any of them in reliance upon any Subordinated Bond, Coupon, notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by such Paying Agent to be genuine and to have been approved or signed by the proper parties.
12. Unless herein otherwise specifically provided, any order, notice, request, direction or other communication from the Liquidator made or given under any provision of this Agreement shall be sufficient if it is signed by one or more officers of the Liquidator.
13. The Paying Agents or any of them shall not be under any liability for or in respect of interest on any monies at any time received or held by any of them pursuant to any of the provisions of this Agreement or of the Subordinated Bonds, except as otherwise agreed between the Liquidator and any of the Paying Agents.
14. The Paying Agents shall only be obligated to perform such duties as are herein specifically provided and no other duties or obligations of the Paying Agents shall be implied with respect to this Agreement or the Subordinated Bonds, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent paying agent in comparable circumstances in carrying out its duties.
15. Except as required by law or as a court of competent jurisdiction may otherwise direct, any Paying Agent shall be entitled to treat the Holder

of any Subordinated Bond or Coupon as the absolute owner thereof for all purposes, notwithstanding any notation of ownership or other writing thereon, and no Paying Agent shall be affected by any notice to the contrary.

16. Any of the Paying Agents may at any time resign as such by giving at least 90 days' written notice (or such shorter period of notice as to which the Liquidator may agree) to the Liquidator specifying the date on which its resignation is to become effective.
17. This agreement shall be governed by the laws of the Province of Ontario, including the laws of Canada applicable therein.

Yours truly,

## Schedule "A"

<b>Principal Paying Agent:</b>	<b>Royal Bank of Canada 71 Queen Victoria Street London EC4V 4DE</b>
<b>Paying Agents:</b>	<b>Banque Bruxelles Lambert Cours Saint Martin 60 B-1040 Brussels Belgium</b>
	<b>and</b>
	<b>Société Générale Bank &amp; Trust 11-13 avenue Emile Reuter L-2420 Luxembourg</b>
<b>Principal Paying Agency Fee:</b>	<b>C\$10,000.00</b>
<b>Commission fees including Paying Agents fees:</b>	<b>C\$39,180.00</b>
<b>Documentation review and liaison fees:</b>	<b>C\$ 2,000.00</b>
<b>Estimated out of pocket expenses (including endorsement stamps but excluding fees for legal counsel):</b>	<b>C\$ 5,900.00</b>
<b>Ongoing Contingency Indemnification fee:</b>	<b>C\$30,000.00</b>
<b>Total for initial distribution:</b>	<b>C\$87,080.00</b>

## SCHEDULE "D"

January 1, 2003

KPMG Inc. in its capacity as liquidator  
of Confederation Life Insurance Company  
Commerce Court West  
33rd floor (Courier 36th fl)  
Toronto, Ontario M5L 1H3Z

Attention: Mr. Robert Sanderson

Dear Sirs,

**Re: Confederation Life Insurance Company LUF  
1,000,000,000 8 3/8% Subordinated Bonds due March 28,  
2000.**

We refer to that certain Fiscal Agency Agreement (the "**Fiscal Agency Agreement**") dated January 25, 1993 between Confederation Life Insurance Company ("**Confed**"), as Issuer and Banque UCL S.A., as fiscal agent. We, Banque Générale du Luxembourg, S.A., are the successors to Banque UCL S.A. as fiscal agent under the Fiscal Agency Agreement. We understand that the Ontario Court (General Division) (now the Ontario Superior Court of Justice) (the "**Court**") on August 15, 1994 ordered that Confed be wound-up pursuant to the Winding-up Act and that on September 10, 1997 the Court appointed KPMG Inc. as permanent liquidator of Confed (the "**Liquidator**"). On November 28, 2002, the Court approved a settlement made between the representative counsel for the Ordinary Creditors and for the Sub Debt Holders (being the holders of the above-noted bonds (the "**Bonds**") and the holders of the £100,000,000 9 7/8% Subordinated Bonds due 2003.

Under the settlement, any monies remaining in the Confed estate after Ordinary Creditors have received payment of 100% on their allowed claims will be distributed in accordance with the following formula:

the first \$55 million to Sub Debt Holders on account of the amount outstanding on the Sub Debt as at August 12, 1994 (the "1994 Amount"), on a pro rata, pari passu basis in accordance with their interests in the Sub Debt;

the next \$20 million to the Ordinary Creditors on a pro rata, pari passu basis on account of interest on their allowed claims from August 12, 1994, being the commencement of the liquidation; and

of any amounts in excess of \$75 million, 80% to the Sub Debt Holders and 20% to the Ordinary Creditors, both on the basis set out in (a) and (b) above.

The Court also confirmed that the total claim of the holders of the Bonds is \$44,339,520, which amount includes a claim for the principal amount thereof and interest accrued thereon to August 12, 1994. This claims are based upon an exchange rate that is the Bank of Canada noon spot rate of exchange for Luxembourg Francs on August 12, 1994, the date the liquidation is deemed to have commenced, which was \$0.04297 per Luxembourg Franc. The Canadian dollar amounts in respect of such claims form the basis of amounts from time to time to be distributed by the Liquidator to the holders of Subordinated Bonds and coupons appertaining thereto are referred to herein as “**Distributions**”.

We further understand that, subject to obtaining an appropriate order of the Court, the Liquidator intends to make Distributions only to the holders of the Bonds and those coupons appertaining thereto that were due on March 28, 1995 (the “**1995 Coupon**”). Holders of any other coupons appertaining to the Bonds will not be entitled to any part of the Distributions.

You have asked that we act as your agent in effecting Distributions from time to time as the Court may approve. We are pleased to confirm that we would be pleased to act as your agent in respect of such Distributions to be made in the manner described above upon and subject to the terms and conditions set out in this letter agreement.

1. The Distributions will be made on the following basis:
  - (a) Bonds must be presented for payment to us as the Liquidator’s agent (the “**Paying Agent**”) at one of the locations set out on Schedule “A”.
  - (b) Each Bond so presented with the 1995 Coupon appertaining thereto attached, will entitle the holder to receive the full amount of the first Distribution made in respect of the claim for the principal amount of such Bond and the claim for interest accrued thereon to August 12, 1994 (the “**Accrued Interest**”). Upon receiving such Bond the Paying Agent will remove the 1995

Coupon and any other coupon attached thereto. As soon as reasonably practicable after receipt of such a Bond the Paying Agent will return, to the person presenting such Bond or as he may direct, the remaining certificate representing such Bond with the full amount of the first Distribution made in respect of such Bond and the Accrued Interest relating to the 1995 Coupon removed there from endorsed thereon, together with payment of such amount by cheque or in cash or by transfer to such person or as he may direct. Thereafter, all subsequent Distributions in respect of such claims will be made to the holder of such endorsed Bond certificate upon presentation thereof.

- (c) Each Bond so presented without the 1995 Coupon appertaining thereto attached, will entitle the holder thereof to receive only the amount distributed in respect of the claim for the principal amount of such Bond. Upon receiving such Bond the Paying Agent will remove any coupon attached thereto and will return such Bond together with the amount of the first Distribution made in respect of the claim for the principal amount such Bond only endorsed thereon together with payment of such amount, all as provided in paragraph (b) above. Thereafter, all subsequent Distributions in respect of the claim for the principal amount of such Bond will be made to the holder of such endorsed Bond certificate upon presentation thereof.
- (d) The holder of the 1995 Coupon appertaining to such Bond (the “**Detached 1995 Coupon**”) will be entitled to receive only Distributions in respect of the claim for Accrued Interest relating to such Bond. A process for, and timing of, payment of such Distributions to holders of Detached 1995 Coupons, or an alternative to the payment of such Distributions, will be discussed between the Liquidator and the Paying Agent once a sufficient number of Bonds have been processed for payment in respect of the first Distribution to permit the Paying Agent to reasonably estimate the quantum of aggregate potential claims for Accrued Interest in respect of Detached 1995 Coupons. Following such discussions, the Liquidator will seek Court approval of the proposed

mechanism for, or alternative to, payment of such Distributions. Such approval will be sought no later than at the time when approval is sought of a second distribution to the Bonds. No payments shall be made to holders of Detached 1995 Coupons until after Court approval is obtained.

2. The Paying Agent shall be entitled to compensation payable (together with any applicable value added tax or similar tax thereon) in the amount, in the manner and at the time and place to be agreed upon in writing with the Liquidator for all services rendered by us and any sub agents that we may appoint. Subject to the provisions hereof, the Liquidator agrees to pay promptly such compensation and to reimburse the Paying Agent for its reasonable expenses in connection herewith, including without limitation the reasonable fees and expenses of its legal counsel, Stikeman Elliott and the cost of publishing notice of each Distribution in such manner and in such newspapers or other publications as the Liquidator and the Paying Agent may agree.
3. To provide the Paying Agent with a reserve for the payment of its fees, costs and expenses any Claims, as defined below, or potential Claims, the Liquidator will, at the time of each Distribution, pay to the Paying Agent an amount to be determined by the Paying Agent, acting reasonable, and approved by the Court. The aggregate amount from time to time so paid to and held by the Paying Agent is referred to herein as the “**Reserve**”. The initial payment into the Reserve is set out in Schedule “A”. Until such time as the Liquidator has been discharged as such, the Paying Agent will hold the Reserve in trust for application, from time to time, to the payment of its fees, costs and expenses including, without limitation, the fees, costs and expenses of any sub agents retained by it and any Claims and will on a regular basis provide the Liquidator with an accounting of the receipt and disbursement of the Reserve, including, but not limited to, an annual report of the status of the Reserve as at December 31 of every calendar year, to be provided by January 31, of the next year.
4. Subject to the provisions hereof, the Liquidator shall indemnify and hold harmless the Paying Agent, its directors, officers, agents and employees from and against any and all claims, losses, damages, injuries, liabilities and expenses (including legal fees and disbursements) incurred (without bad faith or negligence) by the Paying Agent or its directors, officers, agents or employees, arising out of or in any way connected with the Paying Agent acting as agent of

the Liquidator or otherwise in the performance of its duties hereunder (“**Claims**”). It is the intention of the Liquidator to constitute the Paying Agent as trustee for its directors, officers, agents and controlling persons of the covenants of the Liquidator in this paragraph with respect to such directors, officers, agents and controlling persons and the Paying Agent agrees to accept such trust and to hold and enforce such covenants on behalf of such persons; **provided however that** the Paying Agent hereby acknowledges and agrees on its own behalf and on behalf of its directors, officers, agents and controlling shareholders that (a) the Liquidator shall not have any personal liability or obligation hereunder and (b) any amount payable hereunder, including, without limitation, in respect of foregoing indemnity, shall be payable only out of the Reserve and, until the Liquidator has been discharged by the Court, the remaining property in the estate of Confed and the proceeds thereof and as a claim against such property shall rank *pari passu* with costs, charges and expenses incurred in the wind-up of Confed. The Liquidator agrees that it will advise the Paying Agent if a Distribution will be the final Distribution before the Liquidator seeks to be so discharged. However, it is understood and acknowledged that the Liquidator will declare, calculate and pay all Distributions notwithstanding and without regard to the existence of this indemnity. Upon receipt by the Paying Agent of the aggregate amount of such final Distribution and the amount in respect of such Distribution that is to be added to the Reserve, the Liquidator and the estate of Confed shall be released from any further obligation hereunder to the Paying Agent, its directors, officers, agents or controlling shareholders in respect of fees, costs, expenses and Claims and the aggregate amount then in the Reserve shall become the property of the Paying Agent. In addition, any amounts held by the Paying Agent for payment to the holders of Subordinated Bonds or 1995 Coupons after the expiration of the period of five years following the date the final Distribution is made to the Paying Agent shall become the property of the Paying Agent and no holder of any Subordinated Bonds or any coupon appertaining thereto shall have any claim thereto unless prior to the expiration of such period it has presented the relevant Subordinated Bond or 1995 Coupons to a Paying Agent for payment of such amounts.

5. The Liquidator will give the Paying Agent notice of its intention to seek court approval of a Distribution in sufficient time to permit the Paying Agent to determine the amounts required by it on account of its fees, expenses and the Reserve in respect of such Distribution. The Paying Agent will notify the Liquidator of such amount as soon as

reasonably practicable. Thereafter, the Liquidator will give the Paying Agent at least 15 Business Days prior notice of the proposed Distribution or such other period as the parties hereto may agree upon. The Liquidator will provide the Paying Agent and its legal counsel with drafts of all notices, reports, orders of the Court and other documentation relevant thereto in order that it may provide its comments thereon.

6. At least three Business Days (being a day, other than a Saturday or Sunday, on which banks are open for business in Toronto, London and Luxembourg) prior to the date set for any proposed Distribution, the Liquidator will pay the aggregate amount of such proposed Distribution together with the amount to be paid into the Reserve in respect of such Distribution, to the account of the Paying Agent at such bank in Toronto as the Paying Agent may direct in same day value funds in Canadian dollars, to be held and applied by the Paying Agent as provided by order of the Court and herein. If the Paying Agent does not receive the aforementioned amounts, it shall not be bound to make the Distribution until such time as such amounts are received.
7. Subject to paragraph 4 above, all monies received and held by the Paying Agent for distribution to the holders of Subordinated Bonds and 1995 Coupons shall be held in a separate account or accounts in trust for payment to such holders as provided by order of the Court and herein.
8. In acting under this Agreement and in connection with any Distribution, the Paying Agent is acting solely as agent of the Liquidator and does not thereby or hereby assume any obligation, liability or duty to or relationship of agency or trust for or with the owners or holders of the Subordinated Bonds or the Coupons, or both or to the Trustee.
9. The Paying Agent may consult as to legal matters with counsel of their selection and shall be protected and shall incur no liability for action taken or not taken, or suffered to be taken or not taken, with respect to such matters in good faith and in accordance with opinions and advice of such counsel.
10. The Paying Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by any of them in reliance upon any Subordinated Bond, Coupon, notice, direction, consent, certificate, affidavit, statement or other paper or document

reasonably believed by the Paying Agent to be genuine and to have been approved or signed by the proper parties.

11. Unless herein otherwise specifically provided, any order, notice, request, direction or other communication from the Liquidator made or given under any provision of this Agreement shall be sufficient if it is signed by one or more officers of the Liquidator.
12. The Paying Agent shall not be under any liability for or in respect of interest on any monies at any time received or held by it pursuant to any of the provisions of this Agreement or of the Subordinated Bonds, except as otherwise agreed between the Liquidator and the Paying Agent.
13. The Paying Agent shall only be obligated to perform such duties as are herein specifically provided and no other duties or obligations of the Paying Agent shall be implied with respect to this Agreement or the Subordinated Bonds, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent paying agent in comparable circumstances in carrying out its duties.
14. Except as required by law or as a court of competent jurisdiction may otherwise direct, the Paying Agent shall be entitled to treat the Holder of any Subordinated Bond or Coupon as the absolute owner thereof for all purposes, notwithstanding any notation of ownership or other writing thereon, and the Paying Agent shall not be affected by any notice to the contrary.
15. The Paying Agents may at any time resign as such by giving at least 90 days' written notice (or such shorter period of notice as to which the Liquidator may agree) to the Liquidator specifying the date on which its resignation is to become effective.
16. This agreement shall be governed by the laws of the Province of Ontario, including the laws of Canada applicable therein.

Yours truly,

**Schedule "A"**

**Paying Agent: Banque Générale du Luxembourg S.A.**

**at:**

**Agence Kirchberg  
50 avenue J.F. Kennedy  
L-2951 Luxembourg**

**and at**

**Agence Royal-Monterey  
27, avenue Monterey L-2951  
Luxembourg**

**Fees For the payment and  
endorsement of the Bonds: C\$ 43,000.00**

**Documentation review and  
liaison fees: C\$ 25,000.00**

**Estimated out of pocket  
expenses (including  
endorsement stamps but  
excluding fees for Canadian  
legal counsel): C\$ 14,000.00**

**Ongoing Contingency  
Indemnification fee (Reserve): C\$ 30,000.00**

**Total for initial distribution: C\$112,000.00**

## SCHEDULE "E"

4 Stamps for a denomination of LUF 50,000 with coupon 2 attached:

**THIS BOND WITH A DENOMINATION OF LUF 50,000, TOGETHER WITH COUPON 2 WHICH HAS BEEN SURRENDERED, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.**

LUF 1,000,000,000 8 3/8 per cent. Subordinated Bonds due March 28, 2000 – XS0041260927

**PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:**  
**DISTRIBUTION    AMOUNT PAID    NAME OF PAYING AGENT    DATE    INITIAL OF PAYING AGENT**

No: 1                    CAD 456.17                    Banque Générale du Luxembourg, S.A.

No: 2                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

No: 3                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

No: 4                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

4 Stamps for a denomination of LUF 250,000 with coupon 2 attached:

**THIS BOND WITH A DENOMINATION OF LUF 250,000, TOGETHER WITH COUPON 2 WHICH HAS BEEN SURRENDERED, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.**

LUF 1,000,000,000 8 3/8 per cent. Subordinated Bonds due March 28, 2000 – XS0041260927

**PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:**  
**DISTRIBUTION    AMOUNT PAID    NAME OF PAYING AGENT    DATE    INITIAL OF PAYING AGENT**

No: 1                    CAD 2,280.82                    Banque Générale du Luxembourg, S.A.

No: 2                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

No: 3                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

No: 4                    CAD TBA\*                    Banque Générale du Luxembourg, S.A.

\* once the amount to be paid for the next distribution is known, it has to be inserted on the stamp

Stamp for a denomination of GBP 1,000 with coupon 2 attached:

THIS BOND WITH A DENOMINATION OF GBP 1,000, TOGETHER WITH COUPON 2 WHICH HAS BEEN SURRENDERED, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 29,2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.

GBP 100,000,000 9 3/8 per cent. Subordinated Bonds due March 3, 2003 – XS0041949180

**PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:**

**DISTRIBUTION      AMOUNT PAID      NAME OF PAYING AGENT      DATE      INITIAL OF PAYING AGENT**

No: 1                      CAD 458.76

No: 2                      CAD TBA\*

No: 3                      CAD TBA\*

No: 4                      CAD TBA\*

Stamp for a denomination of GBP 10,000 with coupon 2 attached:

THIS BOND WITH A DENOMINATION OF GBP 10,000, TOGETHER WITH COUPON 2 WHICH HAS BEEN SURRENDERED, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28,2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.

GBP 100,000,000 9 3/8 per cent. Subordinated Bonds due March 3, 2003 – XS0041949180

**PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:**

**DISTRIBUTION      AMOUNT PAID      NAME OF PAYING AGENT      DATE      INITIAL OF PAYING AGENT**

No: 1                      CAD **4,587.63**

No: 2                      CAD TBA\*

No: 3                      CAD TBA\*

No: 4                      CAD TBA\*

\* once the amount to be paid for the next distribution is known, it has to be inserted on the stamp

## SCHEDULE "F"

### 4 Stamps for a denomination of LUF 50,000 without coupon 2:

THIS BOND WITH A DENOMINATION OF LUF 50,000, WITHOUT COUPON 2 THAT WAS ATTACHED HERETO, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN AND DISTRIBUTIONS MADE BY THE LIQUIDATOR.  
LUF 1,000,000,000 8 3/8 per cent. Subordinated Bonds due March 28, 2000 – XS0041260927

PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:  
DISTRIBUTION      AMOUNT PAID      NAME OF PAYING AGENT      DATE      INITIAL OF PAYING AGENT

No: 1                      CAD 442.08                      Banque Générale du Luxembourg, S.A.

No: 2                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

No: 3                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

No: 4                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

### 4 Stamps for a denomination of LUF 250,000 without coupon 2:

THIS BOND WITH A DENOMINATION OF LUF 250,000, WITHOUT COUPON 2 THAT WAS ATTACHED HERETO, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.  
LUF 1,000,000,000 8 3/8 per cent. Subordinated Bonds due March 28, 2000 – XS0041260927

PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:  
DISTRIBUTION      AMOUNT PAID      NAME OF PAYING AGENT      DATE      INITIAL OF PAYING AGENT

No: 1                      CAD 2,210.38                      Banque Générale du Luxembourg, S.A.

No: 2                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

No: 3                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

No: 4                      CAD TBA\*                      Banque Générale du Luxembourg, S.A.

\* once the amount to be paid for the next distribution is known, it has to be inserted on the stamp

Stamp for a denomination of GBP 1,000 without coupon 2:

THIS BOND WITH A DENOMINATION OF GBP 1,000, WITHOUT COUPON 2, THAT WAS ATTACHED HERETO, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.

GBP 100,000,000 9 7/8 per cent. Subordinated Bonds due March 3, 2003 – XS0041949180  
PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:

<u>DISTRIBUTION</u>	<u>AMOUNT PAID</u>	<u>NAME OF PAYING AGENT</u>	<u>DATE</u>	<u>INITIAL OF PAYING AGENT</u>
No: 1	CAD 439.36			

No: 2	CAD <u>TBA</u> *			
-------	------------------	--	--	--

No: 3	CAD <u>TBA</u> *			
-------	------------------	--	--	--

No: 4	CAD <u>TBA</u> *			
-------	------------------	--	--	--

Stamp for a denomination of GBP 10,000 without coupon 2:

THIS BOND WITH A DENOMINATION OF GBP 10,000, WITHOUT COUPON 2 THAT WAS ATTACHED HERETO, HAS BEEN PRESENTED FOR PAYMENT OF A DISTRIBUTION MADE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED ON NOVEMBER 28, 2002 BY THE ONTARIO SUPERIOR COURT OF JUSTICE (THE "COURT"). THE HOLDER OF THIS BOND IS HEREAFTER ENTITLED TO THE FULL AMOUNT OF ALL DISTRIBUTIONS IN RESPECT OF THIS BOND AND SUCH COUPON MADE BY THE LIQUIDATOR OF CONFEDERATION LIFE INSURANCE COMPANY. BY ORDER OF THE COURT HOLDERS OF ANY OTHER COUPONS PERTAINING TO THIS BOND ARE NOT ENTITLED TO SHARE IN ANY DISTRIBUTIONS MADE BY THE LIQUIDATOR.

GBP 100,000,000 9 7/8 per cent. Subordinated Bonds due March 3, 2003 – XS0041949180  
PAYMENT SCHEDULE UNDER DEBT SETTLEMENT ARRANGEMENTS APPROVED BY THE COURT:

<u>DISTRIBUTION</u>	<u>AMOUNT PAID</u>	<u>NAME OF PAYING AGENT</u>	<u>DATE</u>	<u>INITIAL OF PAYING AGENT</u>
No: 1	CAD 4,393.59			

No: 2	CAD <u>TBA</u> *			
-------	------------------	--	--	--

No: 3	CAD <u>TBA</u> *			
-------	------------------	--	--	--

No: 4	CAD <u>TBA</u> *			
-------	------------------	--	--	--

\* once the amount to be paid for the next distribution is known, it has to be inserted on the stamp

**Confederation Life Insurance Company -  
by its Liquidator KPMG Inc.**

**SUB-DEBT DISTRIBUTION CALCULATIONS**

**Court Approved Distribution Rate Cdn\$ 0.20576**

<b><u>Summary</u></b>	<b><u>Distribution Cdn\$</u></b>
1,000 Sterling with Coupon	458.76
1,000 Sterling without Coupon	439.36
1,000 Sterling, Coupon only	19.40
10,000 Sterling with Coupon	4,587.63
10,000 Sterling without Coupon	4,393.59
10,000 Sterling, Coupon only	194.03
50,000 LUF with Coupon	456.17
50,000 LUF without Coupon	442.08
50,000 LUF, Coupon only	14.09
250,000 LUF with Coupon	2,280.82
250,000 LUF without Coupon	2,210.38
250,000 LUF, Coupon only	70.45

**1,000 Sterling Note with Coupon**

Principal (£)	1,000.00
coupon 2 @ 161 days interest (£)	<u>44.16</u>
Total (£)	1,044.16
converted to Cdn\$ @2.1353	2,229.59
Distribution Cdn\$ @ 0.20576	458.76

**1,000 Sterling Note without Coupon**

Principal (£)	1,000.00
converted to Cdn\$ @2.1353	2,135.30
Distribution Cdn\$ @ 0.20576	439.36

**1,000 Sterling Note – Coupon only**

coupon 2 @ 161 days interest (£)	44.16
converted to Cdn\$ @2.1353	94.29
Distribution Cdn\$ @ 0.20576	19.40

**10,000 Sterling Note with Coupon**

Principal (£)	10,000
coupon 2 @ 161 days interest (£)	<u>441.63</u>
Total (£)	10,441.63

converted to Cdn\$ @2.1353 22,296.01

Distribution Cdn\$ @ 0.20576 4,587.63

**10,000 Sterling Note without Coupon**

Principal (£) 10,000.00

converted to Cdn\$ @2.1353 21,353.00

Distribution Cdn\$ @ 0.20576 4,393.59

**10,000 Sterling Note - Cougm only**

coupon 2 @ 161 days interest (£) 441.63

converted to Cdn\$ @2.1353 943.01

Distribution Cdn\$ @ 0.20576 194.03

**50,000 LUF Note with coupon**

Principal (LUF)	50,000.00
coupon 2 @ 137 days interest (LUF)	<u>1,593.58</u>
Total (LUF)	51,593.58

converted to Cdn\$ @ 0.04297 2,216.98

Distribution Cdn\$ @ 0.20576 456.17

**50,000 LUF Note without Coupon**

Principal (LUF) 50,000.00

converted to Cdn\$ @ 0.04297 2,148.50

Distribution Cdn\$ @ 0.20576 442.08

**50,000 LUF Note – Coupon only**

coupon 2 @ 137 days interest (LUF) 1,593.58

converted to Cdn\$ @ 0.04297 68.48

Distribution Cdn\$ @ 0.20576 14.09

**250,000 LUF Note with Coupon**

Principal (LUF)	250,000.00
coupon 2 @ 137 days interest (LUF)	<u>7,967.88</u>
Total (LUF)	257,967.88

converted to Cdn\$ @ 0.04297	11,084.88
------------------------------	-----------

Distribution Cdn\$ @ 0.20576	2,280.82
------------------------------	----------

**250,000 LUF Note without Coupon**

Principal (LUF)	250,000.00
-----------------	------------

converted to Cdn\$ @ 0.04297	10,742.50
------------------------------	-----------

Distribution Cdn\$ @ 0.20576	2,210.38
------------------------------	----------

**250,000 LUF Note - Coupon only**

coupon 2 @ 137 days interest (LUF)	7,967.88
------------------------------------	----------

converted to Cdn\$ @ 0.04297	342.38
------------------------------	--------

Distribution Cdn\$ @ 0.20576	70.45
------------------------------	-------



## Schedule “H”

# 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 First 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. \$45,876,500.00 (the “First Distribution”) will be available for distribution commencing at noon (London time) on February 27, 2003 (the “First Distribution Date”), provided that Bondholders have complied with the procedures described below.

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

- a. If a Bondholder holds Bonds in EUROCLEAR or CEDEL BANK, the relevant Paying Agent must have received either (i) the Bonds, or (ii) a confirmation from EUROCLEAR or CEDEL BANK, 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 or CEDEL BANK, 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 is attached. Bonds submitted without Coupon 2 attached will receive a proportionately reduced payment. All coupons will be removed from the Bonds by the Paying Agent when submitted.

Payment will be made in Canadian dollars as follows:

£1,000 Bond with Coupon 2: \$458.76	£1,000 Bond without Coupon 2: \$439.36
£10,000 Bond with Coupon 2: \$4,587.63	£10,000 Bond without Coupon 2: \$4,393.59

On or after the First 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, 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:**

**Banque Bruxelles Lambert  
Cours Saint Martin 60  
B-1040 Brussels  
Belgium**

**and**

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

BAB-001361

**CONFEDERATION LIFE**

**NON PERFORMING INVESTMENTS**

(\$ Millions)

	March 31 <u>1993</u>	December 31 <u>1992</u>	Quarterly <u>Increase/(Decrease)</u>
Bonds	76	59	17
Mortgages	705	757	(52)
Foreclosures	<u>203</u>	<u>177</u>	<u>26</u>
	984	993	(9)
Provisions	<u>186</u>	<u>186</u>	<u>-</u>
Net Non-Performing	<u><u>798</u></u>	<u><u>807</u></u>	<u><u>(9)</u></u>

**ALLOCATION**

	<u>March</u>		December <u>Net</u>	<u>December</u>		
	Balance	Provision		Total <u>Assets</u>	% <u>Assets</u>	
Canada	207	33	174	175	4,581	3.8
U.S.A.	379	40	339	335	8,682	3.9
U.K.	27	7	20	38	1,442	1.4
Trust	312	86	226	224	877	25.7
Leasing	-	-	-	(4)	-	N/A
Treasury	-	-	-	-	1,258	N/A
Corporate Surplus	<u>59</u>	<u>20</u>	<u>39</u>	<u>39</u>	<u>1,502</u>	<u>2.6</u>
	<u><u>984</u></u>	<u><u>186</u></u>	<u><u>798</u></u>	<u><u>807</u></u>	<u><u>18,342</u></u>	<u><u>4.4</u></u>

**EARNINGS IMPACT**

	<u>Capital</u>	<u>Interest</u>
Canada	4.6	5.3
U.S.A.	12.0	3.5
U.K.	0.6	0.9
Trust	<u>1.0</u>	<u>9.9</u>
	<u><u>18.2</u></u>	<u><u>19.6</u></u>

Exchange Rates: U.S.A. \$1.2585; U.K. \$1.9054

**BAB001361**



## Schedule "I"

### 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 First 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. \$9,123,500.00 (the "First Distribution") will be available for distribution commencing at noon (London time) on February 27, 2003 (the "First Distribution Date"), provided that Bondholders have complied with the procedures described below.

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

- a. If a Bondholder holds Bonds in EUROCLEAR or CEDEL BANK, the relevant Paying Agent must have received either (i) the Bonds, or (ii) a confirmation from EUROCLEAR or CEDEL BANK, 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 or CEDEL BANK, 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 is attached. Bonds submitted without Coupon 2 attached will receive a proportionately reduced payment. All coupons will be removed from the Bonds by the Paying Agent when submitted.

Payment will be made in Canadian dollars as follows:

LUF 50,000 with Coupon 2: \$456.17	LUF 50,000 without Coupon 2: \$442.08
LUF 250,000 with Coupon 2: \$2,280.82	LUF 250,000 without Coupon 2: \$2,210.38

On or after the First 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, 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>.

**Paying Agent:**

**Banque Générale du Luxembourg S.A.  
at:**

**Agence Kirchberg  
50 avenue J.F. Kennedy  
L-2951 Luxembourg**

**and at**

**Agence Royal-Monterey  
27, avenue Monterey  
L-2951 Luxembourg**

G26\EMPEYB\4469408.3

**THE ATTORNEY GENERAL OF  
CANADA**

and

**CONFEDERATION LIFE INSURANCE  
COMPANY**

Court File No: 97-BK-000543

Applicant

Respondent

---

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

Proceeding commenced at Toronto

---

**MOTION RECORD  
(Returnable January 31, 2003)**

---

**GOODMANS LLP**  
Barristers & Solicitors  
250 Yonge Street  
Suite 2400, Box 24  
Toronto, Ontario  
M5H 2M6

Gale Rubenstein \ LSUC #17088E  
Tel: (416) 597-4148  
Fax: 416.979.2211

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

Our File No.: 94.1219

G26\4469410.1

## CONFEDERATION LIFE INSURANCE COMPANY, IN LIQUIDATION WEBSITE LEGAL DISCLAIMER

This website (the "Site") contains legal documents pertaining to the windup of Confederation Life Insurance Company. This Site is presented as a public service for informational purposes only by Confederation Life Insurance Company by its Liquidator, KPMG Inc. (the "Liquidator"). KPMG LLP is not the Liquidator and has no responsibility for the contents of this Site. WARNING: Transmissions to the Site are not protected and no confidentiality will be maintained with respect thereto. Transmissions to the Site are made at the sender's risk.

This Site is not an official reporter, and the Liquidator does not guarantee that all information is error free, complete, or accurate. The Site does not purport to provide complete records of all litigation and legal documentation pertaining to Confederation Life Insurance Company, in Liquidation. The Site contains no legal advice and nothing herein shall be taken, implied or construed as an offer to provide, or a provision of, legal advice. The Liquidator may change, modify, suspend, or discontinue the Site at any time without notice.

Based on the fundamental universal condition of the electronic communication process, the Liquidator does not guarantee or warrant the Site will be uninterrupted, without delay, error-free, omission-free, or free of viruses. Therefore, the information is provided "as is" without warranties of any kind, express or implied, including accuracy, timeliness and completeness. In no event shall the Liquidator, its employees, agents, consultants, legal counsel, contractors, or affiliates be liable for any direct, indirect, incidental, special, exemplary, punitive, consequential or other damages whatsoever (including, but not limited to, liability for loss of use, data or profits), without regard to the form of any action, including but not limited to contract, negligence or other tortious actions, arising out of or in connection with the Site, any content on or accessed by use of the Site, or any copying, display or other use hereof.

External links are provided on the Site as aids to help you identify and locate other sources of information that may be of interest, and are not intended to state or imply that the Liquidator endorses, sponsors, is affiliated or associated with or is legally authorized to use any trade name, registered trademark, logo, legal or official seal, or copyrighted symbol that may be reflected in the links. In no event shall the Liquidator, its employees, agents, consultants, legal counsel, contractors, or affiliates accept responsibility for the accuracy of the link, the accuracy or completeness of any information obtained through any link. The Liquidator further warns against reliance on any information contained therein and further disclaims any knowledge or information as to the truth or accuracy of the information contained therein.

The Site is controlled by the Liquidator from its offices within the Province of Ontario, Canada. By accessing the Site, you and the Liquidator agree that all matters relating to access to, or use of the Site shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to the conflicts of laws principals thereof. You and the Liquidator also agree and hereby submit to the exclusive personal jurisdiction and venue of the courts of the Province of Ontario with respect to such matters.