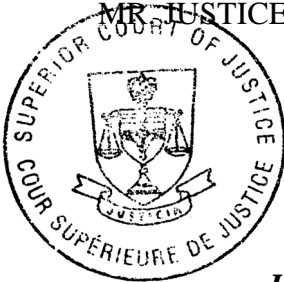


**ONTARIO SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) MONDAY, THE 2<sup>ND</sup> DAY  
)  
MR. JUSTICE FARLEY ) OF JUNE, 2003



**IN THE MATTER OF  
RELIANCE INSURANCE COMPANY**

**AND IN THE MATTER OF THE  
*INSURANCE COMPANIES ACT, S.C. 1991, C.47, AS AMENDED***

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

BETWEEN:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**ORDER**

**THIS MOTION**, brought by KPMG Inc., liquidator (the “Liquidator”) of the insurance business in Canada of Reliance Insurance Company (“Reliance (Canada)”), for an Order that the Honourable Lloyd W. Houlden and the Honourable Hilda M. McKinlay each be appointed as an independent claims administrator of certain claims in the Reliance (Canada) estate was heard this day at 393 University Avenue, Toronto, Ontario.

**UPON READING** the Liquidator’s Motion Record, including the Notice of Motion and the Liquidator’s Report contained therein, filed, and upon being advised of the consent of the Honourable Lloyd W. Houlden and of the Honourable Hilda M. McKinlay, and

upon hearing the submissions of counsel for the Liquidator and for the proposed claims administrators,

1. **THIS COURT ORDERS** that the Honourable Hilda M. McKinlay is hereby appointed independent claims administrator of the Davies Claim, (as defined in Schedule “A” to this Order) upon the terms and conditions set out in Schedule “A” hereto (the “Davies Claim Administrator”) and is hereby allocated and shall assume all of the Liquidator’s authority, powers, rights and duties in respect of the Davies Claim and shall be the liquidator for this purpose with those of the attendant rights and obligations provided in the Order of this Court dated December 3, 2001 and any further Orders made in these proceedings as may be applicable to this appointment.

2. **THIS COURT ORDERS** that the Honourable Lloyd W. Houlden is hereby appointed independent claims administrator of the Lindquist Claim (as defined in Schedule “B” to this Order) upon the terms and conditions set out in Schedule “B” hereto (the “Lindquist Claim Administrator”) and is hereby allocated and shall assume all of the Liquidator’s authority, powers, rights and duties in respect of the Lindquist Claim and shall be the liquidator for this purpose with those of the attendant rights and obligations provided in the Order of this Court dated December 3, 2001 and any further Orders made in these proceedings as may be applicable to this appointment.

3. **THIS COURT ORDERS** that the Davies Claim Administrator and the Lindquist Claim Administrator (collectively the “Claims Administrators”) shall have no right or obligation to exercise any authority, powers, rights or duties with respect to the liquidation of Reliance (Canada) or any assets or liabilities of Reliance (Canada) other than in connection with the Davies Claim and the Lindquist Claim, (collectively, the “Claims”).

4. **THIS COURT ORDERS** that the Liquidator is hereby relieved from the right or obligation to exercise any of the authority, powers, rights and duties with respect to the Claims granted to the Claims Administrators herein, or in any further Order of the Court, that the Liquidator otherwise has pursuant to the *Winding-up and Restructuring Act*, or pursuant to Orders granted by this Court.

5. **THIS COURT ORDERS** that the Claims Administrators are each hereby authorized to provide information with respect to the Claims to the inspectors in the liquidation of Reliance (Canada) appointed by this Court, or to each of them, in such manner and to such extent as, from time to time, may be agreed as between them or directed by the Court, and that such communications to the inspectors shall not constitute a waiver of any privilege which the Claims Administrators would otherwise be entitled to assert against any other party.

6. **THIS COURT ORDERS** that no action lies against the Claims Administrators or any person acting under the direction of the Claims Administrators for anything done or omitted to be done in good faith in carrying out the authority, powers, rights and duties of the Claims Administrators provided herein, and the Claims Administrators shall be entitled to the same rights of indemnity from the estate of Reliance (Canada) as the Liquidator in respect of their administration of the Claims pursuant to this Order.

7. **THIS COURT ORDERS** that the Claims Administrators shall be at liberty to apply to this Court for advice and directions concerning the discharge of their authority, powers, rights and duties hereunder on such notice as the Court may order.

8. **THIS COURT ORDERS** that, for the purpose of compensating any solicitors, agents, experts, consultants, assistants and employees retained by the Claims Administrators and meeting any further expenses incurred by them in carrying out their authority, powers, rights and duties hereunder, the Claims Administrators shall be entitled to direct the Liquidator to make payments from the assets of Reliance (Canada), including draws on account of each of the Claims Administrators' fees and disbursements.

9. **THIS COURT ORDERS** that the remuneration, costs and expenses of the Claims Administrators, including the costs referred to in paragraph 8 hereof, be treated as part of the costs and expenses of the liquidation of Reliance (Canada), and that each of the Claims Administrators shall pass his or her accounts and apply for the approval of the professional fees incurred by him or her before this Court at such times and in such manner as he or she may deem appropriate or as the Court may require.

10. **THIS COURT ORDERS** that the time for service of the Notice of Motion and supporting materials is hereby abridged and that the service made herein is good and sufficient

service of this motion, that this motion is properly returnable today and that any further service of the Notice of Motion and supporting materials be and the same is hereby dispensed with.

*J. Jansen*  
REGISTRAR

---

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

JUN 3 - 2003

PER/PAR:

*NB*

## SCHEDULE "A"

May ●, 2003

Hon. Hilda M. McKinlay  
ADR Chambers  
Suite 300  
48 Yonge Street  
Toronto, Ontario M5E 1G6

Dear Sir:

**Re: Reliance Insurance Company - Canadian Branch, in Liquidation ("Reliance (Canada)")**

The purpose of this letter is to confirm the terms on which you will act as Claims Administrator of Reliance (Canada)'s interests and obligations under a policy of insurance issued by Reliance (Canada) to Davies, Ward & Beck ("Davies"), in respect of a claim by HSBC Securities (Canada) Inc., which is the subject matter of an action in the Ontario Superior Court of Justice (the "Court"), being Court File No. 00-CV-189099CM. The action, including third party claims issued therein, will be referred to as the "HSBC Action". Reliance (Canada)'s interests and obligations to Davies with respect to the HSBC Action will be referred to as the "Davies Claim".

### BACKGROUND

As you are aware, KPMG Inc. is the liquidator (the "Liquidator") of Reliance (Canada). It has recently been brought to the Liquidator's attention that KPMG Inc. and certain entities related to KPMG Inc. are third party defendants in the HSBC Action. Reliance (Canada) issued two policies relevant to the HSBC Action, the Davies Policy and a policy of insurance to Lindquist Avey MacDonald Baskerville Inc. (the "Lindquist Policy"). In light of the claim against KPMG Inc., the Liquidator is of the view that it is in the best interest of the estate of Reliance (Canada) that independent claims administrators be appointed by the Court to deal with each of the Davies Claim and with the interests and obligations of Reliance (Canada) under the Lindquist Policy in respect of the HSBC Action.

### TERMS OF APPOINTMENT

Subject to the approval and direction of the Court in the winding-up proceedings, your appointment will be limited to acting as administrator of the Davies Claim including, without limitation, supervising and instructing the Reliance (Canada) staff and counsel of record.

In connection with your appointment, the Liquidator will:

1. provide you and your representatives and agents with access to the premises, books, records, and (as far as reasonably possible) officers and employees of Reliance (Canada) and of the Liquidator in order to allow you to carry out your mandate; and
2. seek an order in substantially the form attached as Schedule "A" confirming your powers, duties, and protections with respect to the Davies Claim and approving the terms and conditions of your appointment as set out herein.

To the extent that you deem it prudent to do so you may:

1. review and take temporary possession of any of Reliance (Canada)'s books and records as you may reasonably require for the purpose of carrying out your duties hereunder;
2. engage such firms of solicitors as you deem necessary to assist you, including Goodmans LLP. Specifically, you may continue the retainer of counsel of record, and may consult with Goodmans LLP, as you deem appropriate, to assist you in respect of matters concerning Reliance (Canada) relevant to the Davies Claim;
3. meet with representatives of the parties to the HSBC Action and their counsel or such other parties as you deem necessary or appropriate with respect to the HSBC Action;
4. employ and retain such agents, experts, consultants, and assistants as you may consider necessary or desirable; and
5. do all such other acts as you may consider necessary or appropriate for the carrying out of your duties.

The Property and Casualty Insurance Compensation Corporation ("PACICC") and the Insurance Commissioner of the Commonwealth of Pennsylvania in her capacity as liquidator of Reliance Insurance Company (the "U.S. Liquidator") have been appointed inspectors (collectively the "Inspectors") to assist and advise the Liquidator in the winding-up of Reliance (Canada). In addition, by Order dated January 30, 2002, the Superintendent of Financial Institutions is entitled to attend Inspectors' meetings. You will make available to the Inspectors from time to time such information as they may reasonably require. Further, pursuant to a protocol between the Liquidator and the U.S. Liquidator, a copy of which has been given to you, the Liquidator provides certain information concerning the administration of Reliance (Canada) claims to the U.S. Liquidator and subject to the terms of the protocol, seeks certain approvals. You will supervise the Reliance (Canada) employees to ensure that provisions of the protocol are observed.

#### FEES

Subject to Court approval, your fees will be paid on the basis of time spent at a rate of \$450.00 per hour. Your remuneration, costs and expenses will be treated as part of the costs and expenses of the

liquidation of Reliance (Canada). You will pass accounts and apply for approval of the fees and costs incurred by you at such times and in such manner as you deem appropriate or as the Court may require and, if practicable, concurrently with the passings of the accounts of the Liquidator.

If you agree with the above noted terms and conditions, please sign in the space provided below.

Yours very truly,

KPMG Inc., in its capacity as Court appointed  
Provisional Liquidator of Reliance (Canada)

Enclosures

AGREED TO:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## SCHEDULE "B"

May ●, 2003

Hon. Lloyd W. Houlden  
ADR Chambers  
Suite 300  
48 Yonge Street  
Toronto, Ontario M5E 1G6

Dear Sir:

**Re: Reliance Insurance Company - Canadian Branch, in Liquidation ("Reliance (Canada)")**

The purpose of this letter is to confirm the terms on which you will act as Claims Administrator of Reliance (Canada)'s interests and obligations under a policy of insurance issued by Reliance (Canada) to Lindquist Avey MacDonald Baskerville Inc. ("Lindquist"), in respect of a third party claim by Davies, Ward & Beck ("Davies") in an action against Davies commenced by HSBC Securities (Canada) Inc. in the Ontario Superior Court of Justice (the "Court"), being Court File No. 00-CV-189099CM. The action, including the third party claims issued therein, will be referred to as the "HSBC Action". Reliance (Canada)'s interests and obligations to Lindquist with respect to the HSBC Action will be referred to as the "Lindquist Claim".

### BACKGROUND

As you are aware, KPMG Inc. is the liquidator (the "Liquidator") of Reliance (Canada). It has recently been brought to the Liquidator's attention that KPMG Inc. and certain entities related to KPMG Inc. are third party defendants in the HSBC Action. Reliance (Canada) issued two policies relevant to the HSBC Action, the Lindquist Policy and a policy of insurance to Davies (the "Davies Policy"). In light of the claim against KPMG Inc., the Liquidator is of the view that it is in the best interest of the estate of Reliance (Canada) that independent claims administrators be appointed by the Court to deal with each of the Lindquist Claim and with the interests and obligations of Reliance (Canada) under the Davies Policy in respect of the HSBC Action.

### TERMS OF APPOINTMENT

Subject to the approval and direction of the Court in the winding-up proceedings, your appointment will be limited to acting as administrator of the Lindquist Claim including, without limitation, supervising and instructing the Reliance (Canada) staff and counsel of record.

In connection with your appointment, the Liquidator will:



1. provide you and your representatives and agents with access to the premises, books, records, and (as far as reasonably possible) officers and employees of Reliance (Canada) and of the Liquidator in order to allow you to carry out your mandate; and
2. seek an order in substantially the form attached as Schedule "A" confirming your powers, duties, and protections with respect to the Lindquist Claim and approving the terms and conditions of your appointment as set out herein.

To the extent that you deem it prudent to do so you may:

1. review and take temporary possession of any of Reliance (Canada)'s books and records as you may reasonably require for the purpose of carrying out your duties hereunder;
2. engage such firms of solicitors as you deem necessary to assist you, including Goodmans LLP. Specifically, you may continue the retainer of counsel of record, and may consult with Goodmans LLP, as you deem appropriate, to assist you in respect of matters concerning Reliance (Canada) relevant to the Lindquist Claim;
3. meet with representatives of the parties to the HSBC Action and their counsel or such other parties as you deem necessary or appropriate with respect to the HSBC Action;
4. employ and retain such agents, experts, consultants, and assistants as you may consider necessary or desirable; and
5. do all such other acts as you may consider necessary or appropriate for the carrying out of your duties.

The Property and Casualty Insurance Compensation Corporation ("PACICC") and the Insurance Commissioner of the Commonwealth of Pennsylvania in her capacity as liquidator of Reliance Insurance Company (the "U.S. Liquidator") have been appointed inspectors (collectively the "Inspectors") to assist and advise the Liquidator in the winding-up of Reliance (Canada). In addition, by Order dated January 30, 2002, the Superintendent of Financial Institutions is entitled to attend Inspectors' meetings. You will make available to the Inspectors from time to time such information as they may reasonably require. Further, pursuant to a protocol between the Liquidator and the U.S. Liquidator, a copy of which has been given to you, the Liquidator provides certain information concerning the administration of Reliance (Canada) claims to the U.S. Liquidator and subject to the terms of the protocol, seeks certain approvals. You will supervise the Reliance (Canada) employees to ensure that provisions of the protocol are observed.

#### FEES

Subject to Court approval, your fees will be paid on the basis of time spent at a rate of \$450.00 per hour. Your remuneration, costs and expenses will be treated as part of the costs and expenses of the

liquidation of Reliance (Canada). You will pass accounts and apply for approval of the fees and costs incurred by you at such times and in such manner as you deem appropriate or as the Court may require and, if practicable, concurrently with the passings of the accounts of the Liquidator.

If you agree with the above noted terms and conditions, please sign in the space provided below.

Yours very truly,

KPMG Inc., in its capacity as Court appointed  
Provisional Liquidator of Reliance (Canada)

Enclosures

AGREED TO:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**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

Gale Rubenstein (LSCUC #17088E)  
Jessica Kimmel (LSCUC #32312W)  
Tel: 416-979-2211  
Fax: 416-979-1234

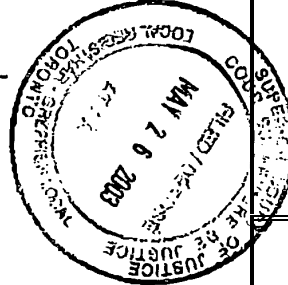
Solicitors for KPMG Inc.,  
Liquidator of Reliance (Canada)

June 2/03

June 2/2003

It goes without saying —  
we will be said —  
any court appointed  
officer — here the  
liquidator — must not  
only be impartial, neutral  
and disinterested but the informed  
public must have confidence  
in that conduct of the liquidator  
and thus it is necessary and  
demanded that the liquidator  
not only be legal but also  
appear to be.

I am satisfied that the internal  
mechanisms, controls and arrangements



ONTARIO SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST

Proceeding commenced at TORONTO

MOTION RECORD  
(returnable June 2, 2003)

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

Gale Rubenstein (LSUC #17088E)  
Jessica Kimmel (LSUC #32312W)

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

Solicitors for KPMG Inc.,  
Liquidator of Reliance (Canada)

Our File No. 01.6699  
G26\4483532.1

have worked and that there has  
been no appropriate leakage of  
information. The proposed scheme  
of the appointment of the Hon. Filda  
McKenley and the Hon. Lloyd Sturden  
as additional liquidators (pursuant  
to S. 25 of WURA) for the united  
purpose of dealing with the two  
concurrent cases, as described in  
the order (see S. 24 WURA) is  
appropriate and helpful in  
my view.

Order to issue as per  
my fiat.

  
J. R. Jones

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**COMMERCIAL LIST**

**IN THE MATTER OF  
RELIANCE INSURANCE COMPANY**

**AND IN THE MATTER OF THE  
*INSURANCE COMPANIES ACT, S.C. 1991, C.47, AS AMENDED***

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

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

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**ENDORSEMENT OF  
THE HONOURABLE MR. JUSTICE FARLEY**

Date: June 2, 2003

It goes without saying – but will be said – any court appointed officer – here the Liquidator – must not only be impartial, neutral and objective but the informed public must have confidence in that condition of the Liquidator and thus it is necessary and desirable that the Liquidator not only be that but also appear to be.

I am satisfied that the internal pre-existing controls and arrangements have worked and that there has been no inappropriate leakage of information. The proposed structure of the appointment of the Honourable Hilda McKinlay and the Honourable Lloyd Houlden as additional Liquidators (pursuant to S.25 of WURA) for the limited purpose of dealing with the two conflict cases, as described in the order (see S. 25 WURA) is appropriate and helpful in my view.

Order to issue as per my fiat.

**J.M. FARLEY, J**