

**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

MOTION RECORD

**(Approval re: Settlement: Imperial Tobacco Canada Limited, Imperial Brands Ltd. and
Imperial Tobacco Company Limited Policies -
Motion Returnable November 2, 2015)**

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AND TO: The plaintiffs and members of plaintiff classes by their counsel in the actions set out in Schedule "B" to the Notice of Motion herein

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AND TO: The insurers set out on Schedule "C" to the Notice of Motion herein

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B E T W E E N:

THE ATTORNEY GENERAL OF CANADA

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Respondent

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B E T W E E N:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

NOTICE OF MOTION

**(Approval re: Settlement: Imperial Tobacco Canada Limited, Imperial Brands Ltd. and
Imperial Tobacco Company Limited Policies -
Motion returnable November 2, 2015)**

KPMG Inc., in its capacity as Liquidator (the “**Liquidator**”) of the insurance business of Reliance Insurance Company in Canada (“**Reliance Canada**”), will make a motion to a Judge presiding over the Commercial List on Monday, November 2, 2015 at 10:30 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto.

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

THE MOTION IS FOR:

1. An Order, substantially in the form attached hereto as Schedule “A”, approving the Full and Final Settlement and Release Agreement between Reliance Canada in Liquidation

and Imperial Tobacco Canada Limited and related entities dated June 17, 2015 (the “**ITCAN Agreement**”) and granting related relief, including the release of all claims by any person against the Reliance Releasees (as defined in the ITCAN Agreement) in respect of, arising out of, pursuant to, or in any way connected with the Policies (as defined in the ITCAN Agreement).

2. Such further and other relief as this Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. The Liquidator has entered into the ITCAN Agreement to settle and resolve all obligations and liabilities as provided in the ITCAN Agreement and seeks by this motion this Court’s approval of the ITCAN Agreement and related relief;
2. The Liquidator recommends approval of the ITCAN Agreement, which is conditional on the granting of the Order sought herein, as a reasonable settlement and in the best interest of the Reliance Canada estate;
3. Rules 1.04, 2.03, 3.02, and 37 of the *Rules of Civil Procedure*;
4. Sections 33, 35 and 125 of the *Winding-up and Restructuring Act*;
5. The Directions Order made herein on July 15, 2015; and
6. 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:

1. The Report of the Liquidator dated July 7, 2015 in support of this motion.

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2. The Directions Order made by the Honourable Justice Newbould on July 15, 2015.
3. Such further and other material as counsel may advise and this Court permit.

August 14, 2015

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AND TO: The insurers set out on Schedule "C" hereto

A

SCHEDULE "A"

Court File No. 01-CL-4313

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

THE HONOURABLE) DAY, THE DAY
)
) OF , 2015

**IN THE MATTER OF
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**AND IN THE MATTER OF THE
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BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

APPROVAL ORDER

(Motion for Approval Re: Settlement: Imperial Tobacco Canada Limited, Imperial Brands Limited and Imperial Tobacco Company Limited Policies)

THIS MOTION, made by KPMG Inc., in its capacity as Liquidator ("**Liquidator**") of the insurance business in Canada of Reliance Insurance Company ("**Reliance Canada**"), for an Order approving the Full and Final Settlement and Release Agreement (the "**Agreement**"), a copy of which is attached as Schedule "A" hereto, and for other related relief, was heard this day at Toronto, Ontario.

ON READING the Report of the Liquidator dated July 7, 2015 (the “**Report**”), and upon hearing the submissions of counsel for the Liquidator, no other party appearing although duly served in accordance with the Order for Directions made July 15, 2015.

THIS COURT ORDERS AND DECLARES that the service of the Notice of Motion and materials herein has been effected in accordance with the Order for Directions made July 15, 2015 and is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

1. **THIS COURT ORDERS AND DECLARES** that:

- (i) capitalized terms used in this Order and not otherwise defined in this Order shall bear the same meaning as in the Agreement;
- (ii) the Agreement is hereby approved, the execution, delivery and performance of the Agreement by the Liquidator is authorized and approved, and the Liquidator is hereby authorized to take such steps and acts and to execute such additional documents as are contemplated, necessary or desirable to give effect to the Agreement ; and
- (iii) the fact that this Order does not describe or include any particular provision of the Agreement shall not diminish or impair the effectiveness of such provision, it being the intent that the Agreement be approved in its entirety.

2. **THIS COURT ORDERS AND DECLARES** that upon the occurrence, if any, of the Effective Date and the unconditional payment of the Settlement Amount to ITCAN or as it may direct in accordance with the Agreement:

- (i) all Claims of ITCAN and the ITCAN Entities against all Reliance Releasees, including without limitation the Policy Claims, are and shall be deemed to be fully, finally, irrevocably and completely released, remised,

acquitted, forgiven and forever discharged and all Proofs of Claim shall be deemed to be fully and finally withdrawn, discharged and without any force or effect, and ITCAN shall be deemed not to have filed any claims in the winding-up of Reliance Canada;

- (ii) any and all Claims against the Reliance Releasees of any and all Claimants, Primary and Excess Carriers, Other Insurers and any Person who asserts or could assert any Claim against the Reliance Releasees, in respect of, or arising out of, pursuant to, or in any way connected with the Policies, including without limitation any Claim pursuant to the direct action provisions of the *Civil Code of Québec* or any other statutory provisions granting direct rights of recovery, and whether arising at law, in equity, by statute, civil law, common law, contract, ordinance, or otherwise, reported or unreported, are and shall be deemed to be fully, finally, irrevocably and completely released, remised, acquitted, forgiven and forever discharged;
- (iii) if, in respect of a claim against any ITCAN Entities, such ITCAN Entities seek indemnity under any insurance policy that is excess to any Policy, then, once an amount equal to the limits of the Policy has been paid on the claim, including by any ITCAN Entities, the limits of such Policy shall be considered to have been paid for purposes of such excess policy.

3. **THIS COURT ORDERS** that the Agreement shall be binding on any monitor, trustee in bankruptcy, liquidator or receiver or the like that may be appointed in respect of any of the ITCAN Entities, and shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction at law, or in equity or under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct at law, or in equity or pursuant to any applicable federal or provincial legislation.

4. **THIS COURT ORDERS** that upon the occurrence of the Effective Date, the

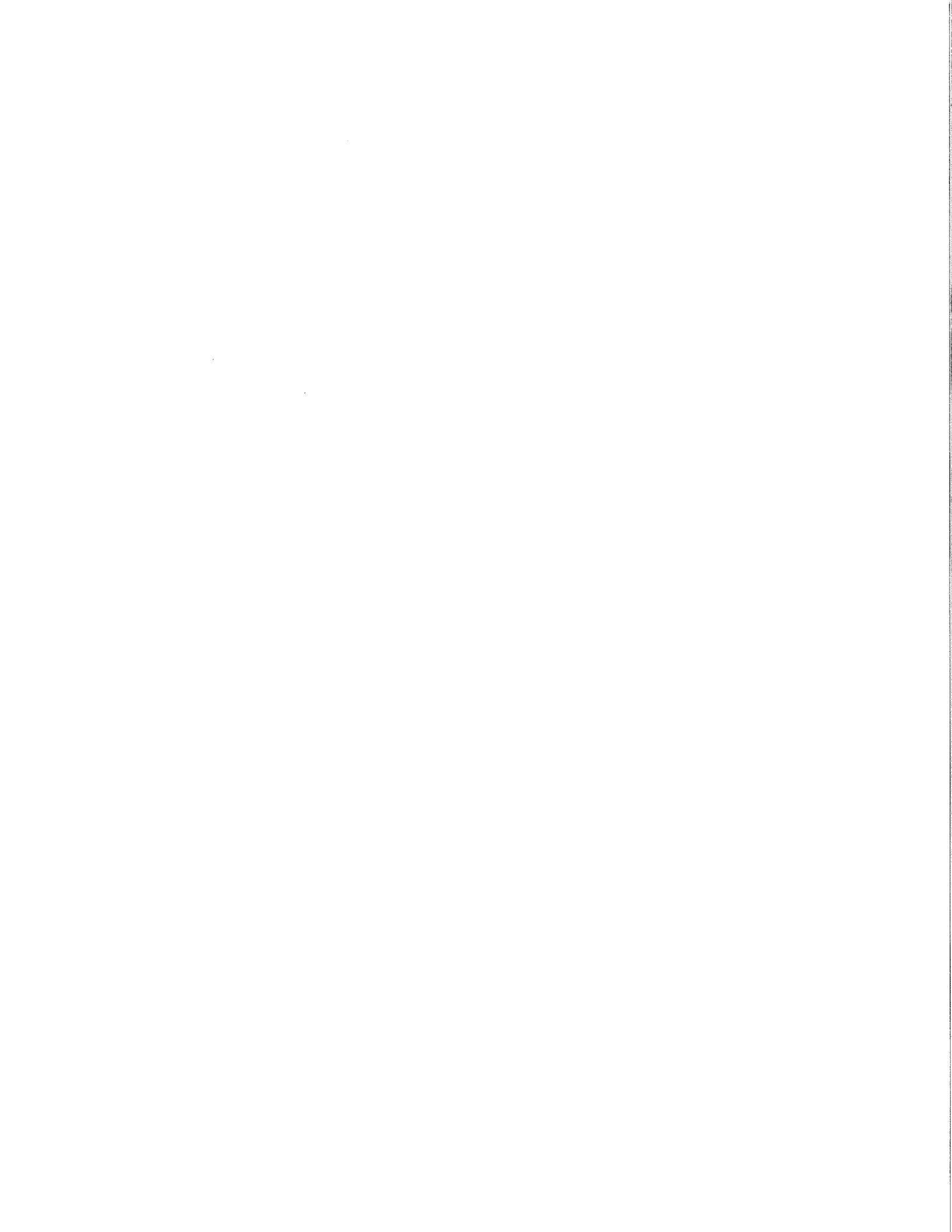
Liquidator shall forthwith file a Certificate with this Court substantially in the form of Schedule "B" attached hereto, advising of the occurrence of the Effective Date. In the event the Effective Date does not occur, then upon the Termination Date the Agreement shall be at an end, on the terms provided in Section 7.1 of the Agreement.

5. **THIS COURT ORDERS** that the Agreement and the settlement provided for therein shall not constitute an admission regarding the validity of the Claims or defences resolved by the Agreement or that there is any liability in connection with those Claims or defences.

6. **THIS COURT ORDERS** that the Parties may, but are under no obligation to, extend the Outside Date.

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere, to give effect to this Order and to assist the Liquidator and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Liquidator in any foreign proceeding, or to assist the Liquidator and its agents in carrying out the terms of this Order.

8. **THIS COURT ORDERS** that the Liquidator be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.



SCHEDULE "A"**FULL AND FINAL SETTLEMENT AND RELEASE AGREEMENT****BETWEEN:**

**IMPERIAL TOBACCO CANADA LIMITED,
IMPERIAL BRANDS LTD. and IMPERIAL
TOBACCO COMPANY LIMITED**

AND:

**RELIANCE CANADA IN LIQUIDATION, BY ITS
LIQUIDATOR, KPMG INC.**

I. RECITALS:

- 1.01 All capitalized terms used in this Section I have the meanings set forth in Section II of this Agreement.
- 1.02 Reliance Canada is in liquidation under the *Winding-up and Restructuring Act*, pursuant to an order of the Ontario Court made December 3, 2001, and KPMG Inc. is the court-appointed liquidator of Reliance Canada;
- 1.03 Reliance Canada issued the Policies;
- 1.04 The Proofs of Claim have been filed in the winding-up of Reliance Canada. The Proofs of Claim assert certain Policy Claims;
- 1.05 The Liquidator disputes the Proofs of Claim. Certain of the Proofs of Claim were filed subsequent to the date set for filing by Order of the Ontario Court made August 3, 2010, and the Parties have reserved their respective positions in respect of the effect, if any, of such filing being made after such date;
- 1.06 Reliance Canada in Liquidation continues to assert that it has valid defences to the Policy Claims, including without limitation valid coverage defences and/or other valid defences, and that any and all Policies are not responsive to the Policy Claims, but has concluded that it will enter into this Agreement among other reasons in order to avoid the further expense,

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inconvenience, burden, distractions, uncertainty and risk of litigation and any other present or future disputes or litigation relating in any way to the Policies;

1.07 The ITCAN Entities have asserted and continue to assert that the Policy Claims are valid but have concluded that they will enter into this Agreement among other reasons in order to avoid the further expense, inconvenience, burden, distractions, uncertainty and risk of litigation and any other present or future disputes or litigation relating in any way to the Policies;

1.08 The Parties, without any admission of liability or of the validity of the positions or arguments advanced by any Party, desire to fully, finally and forever settle and resolve all Claims of the ITCAN Entities, including without limitation the Policy Claims;

1.09 The Parties have each concluded, after investigation of the facts and with the benefit of advice from counsel, that this Agreement is a fair, reasonable and appropriate resolution of the matters settled herein, including without limitation the Policy Claims.

NOW THEREFORE, the Parties, in consideration of the terms as set out herein, agree as follows:

II. DEFINITIONS

In this Agreement, the following terms shall have the meanings set forth below. Singular or plural use of terms shall have the corresponding singular or plural meaning, as the case may be.

2.1 “**Actions**” means the proceedings described in Schedule “A” hereto and any appeals thereof and any proceedings against any of the ITCAN Entities commenced prior to the issuance of the Approval Order.

2.2 “**Agreement**” means this Full and Final Settlement and Release Agreement.

2.3 “**Approval Order**” means an Order of the Ontario Court in the winding-up proceedings of Reliance Canada to the effect of and substantially in the form of the order attached as Schedule “D” to this Agreement.

2.4 “**Claims**” means any and all claims, demands, interests, actions, obligations, causes of action, rights, entitlements, lawsuits or liabilities of any kind or nature whatsoever

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(including without limitation any causes of action or rights available by reason of proceedings under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act*, the *Winding-up and Restructuring Act* or any like or similar insolvency proceeding, or that could constitute claims under any such statutes); reported and unreported, whether arising at law, in equity, by statute, ordinance, civil law, common law, contract, insurance policy or otherwise, including without limitation by reason of any acts, inaction, representation or dealing, and regardless of the type of relief sought, and whether past, present or future, direct, indirect, contingent, non-contingent, liquidated, unliquidated, known or unknown.

- 2.5 “**Claimants**” means collectively the plaintiffs and plaintiff class members, if any, in the Actions, and the respective heirs, executors, administrators, legal representatives, successors and/or assigns of all the foregoing, and any Government of a Province or Territory of Canada not included in Schedule “A” and the Government of Canada.
- 2.6 “**Effective Date**” has the meaning set out in Section 4.1 of this Agreement.
- 2.7 “**ITCAN**” means Imperial Tobacco Canada Limited, being a corporation formed by the February 1, 2000 amalgamation of Inasco Limited with British American Tobacco (Canada) Limited.
- 2.8 “**ITCAN Entities**” means ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, and all Persons named or described as insureds or beneficiaries under any of the Policies, and all Persons who have, can or may claim any coverage, entitlement, protection, indemnity or relief whatsoever under, in respect of, arising out of, pursuant to, in relation to or in any way connected with the Policies, whether named or unnamed in the Policies.
- 2.9 “**Liquidator**” means KPMG Inc., in its capacity as Court-appointed liquidator of Reliance Canada, and not in its personal capacity.
- 2.10 “**Notice**” means such notice of Claims or potential Claims and/or Actions as may have been provided by the ITCAN Entities to Reliance Canada or Reliance Canada in Liquidation.
- 2.11 “**Ontario Court**” means the Ontario Superior Court of Justice.

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- 2.12 **"Other Insurers"** means collectively the insurance companies set out in Schedule "F" to this Agreement, as supplemented or amended pursuant to Section 4.2 of this Agreement, being those insurers of the ITCAN Entities who issued commercial general, commercial general umbrella, or commercial general excess liability insurance (other than the primary or excess insurance referenced in Section 2.20 of this Agreement) for policy periods encompassing the Claims to be settled pursuant to this Agreement; and any and all predecessors, successors and/or assigns of each of them, including but not limited to any receivers, administrators, liquidators or trustees, in all capacities.
- 2.13 **"Outside Date"** means March 31, 2016.
- 2.14 **"Parties"** means ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited and Reliance Canada in Liquidation.
- 2.15 **"Party"** means one of (i) ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, collectively, and (ii) Reliance Canada in Liquidation.
- 2.16 **"Person"** means an individual, corporation, partnership, association, limited liability company, proprietorship, joint venture, trust, executor, legal representative, and/or any other entity or organization, as well as any federal, provincial, international, foreign, state, and/or local governmental or quasi-governmental entity, body, or political subdivision and/or any agency or instrumentality thereof, and any heir, executor, legal representative, administrator, successor and/or assign of any of the foregoing.
- 2.17 **"Policies"** means the policies of insurance set out in Schedule "B" hereto.
- 2.18 **"Policy Claims"** means any and all Claims made or asserted or that could be made or asserted, by or on behalf of or for the benefit of any of the ITCAN Entities, to or against any or all Reliance Releasees, under, in respect of, arising out of, pursuant to, in relation to or in any way connected with the Policies, and whether reported and unreported, including without limitation those asserted by, under or in connection with the Notice, Proofs of Claim, Actions and any Policy Obligations.
- 2.19 **"Policy Obligations"** means Reliance Canada's obligations or liabilities, if any, under, in respect of, arising out of, pursuant to, in relation to, or in any way connected with the

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Policies, whether by contract or at law, in equity, by statute, ordinance, civil law, common law, or otherwise, including without limitation any obligation to investigate Claims against any ITCAN Entity, provide indemnification with respect to any Claims against or liability of any ITCAN Entity, or indemnify or pay any defence costs and/or any damages or costs award (including without limitation any award of plaintiffs' costs and/or pre-judgment interest and/or post-judgment interest).

- 2.20 **"Primary and Excess Carriers"** means collectively the insurance companies set out in Schedule "E" to this Agreement, as supplemented or amended pursuant to Section 4.2 of this Agreement, being those insurers which issued insurance to which any of the Policies is excess, and those insurers which issued insurance that is excess to any of the Policies, and any and all predecessors, successors and/or assigns of each of them, including but not limited to any receivers, administrators, liquidators or trustees, in all capacities.
- 2.21 **"Proofs of Claim"** means the Proofs of Claim dated December 16, 2010 and June 5, 2015, set out in Schedule "C" hereto.
- 2.22 **"Reliance Canada"** means the insurance business in Canada of Reliance Insurance Company.
- 2.23 **"Reliance Canada in Liquidation"** means Reliance Canada in liquidation, by its liquidator, KPMG Inc.
- 2.24 **"Reliance Releasees"** means: (i) Reliance Insurance Company and Reliance Insurance Company (in liquidation) and their past, present and future statutory liquidators; (ii) Reliance Canada and Reliance Canada in Liquidation; (iii) the Liquidator and KPMG Inc. in its personal capacity; (iv) reinsurers of Reliance Insurance Company, Reliance Canada and/or Reliance Canada in Liquidation, and each of their retrocessionaires; (v) any past, present and future direct and indirect subsidiaries, associated and affiliated companies, parent entities, shareholders, divisions, branches, trusts, principals, partners, dealers, agents, brokers, and joint ventures, employees, officers, directors, principals, agents, attorneys, legal counsel, advisors, representatives or predecessors of those in subclauses (i), (ii), (iii) and (iv) of this Section 2.24; and (vi) all successors, executors, assigns, heirs,

legal representatives or administrators of any of those in subclauses (i), (ii), (iii), (iv) and (v) of this Section 2.24.

2.25 **"Settlement Amount"** means the sum of ten million dollars in Canadian funds (CDN \$10,000,000.00).

2.26 **"Termination Date"** means the earlier of:

- (i) the Outside Date;
- (ii) the date upon which the Ontario Court dismisses the request for the Approval Order; and
- (iii) if the Approval Order is granted but a court on appeal allows such appeal (or allows an appeal from a dismissal of an appeal from the Approval Order), the date of such allowance of appeal.

For greater certainty, if the Effective Date has occurred prior to the Outside Date, the Termination Date shall not occur.

III. **CONDITIONAL AGREEMENT**

3.1 This Agreement is strictly and expressly conditional on each and all of the following occurring prior the Outside Date:

- (i) the issuance of the Approval Order;
- (ii) the expiry of the time period for taking steps to seek leave to appeal from the Approval Order without any Person having taken such steps to seek leave, or if any such steps have been taken, the dismissal of such request for leave;
- (iii) the expiry of the time period for commencing an appeal from the Approval Order without any Person having commenced such appeal, or, if such appeal has been commenced, the dismissal of such appeal;

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- (iv) the expiry of the time period for taking steps to seek leave to appeal from any such dismissal of appeal without any Person having taken such steps, or, if any such steps have been taken, the dismissal of such request for leave; and
- (v) the expiry of the time period for commencing an appeal from any such dismissal of appeal without any Person having commenced such appeal, or, if such appeal has been commenced, the dismissal of such appeal.

If any or all of the foregoing has not occurred prior to the Outside Date, then, subject to Section VII of this Agreement, this Agreement shall be of no further force or effect and shall be deemed not to have been entered into.

- 3.2 For greater certainty, there is no obligation on the part of Reliance Canada in Liquidation or the Liquidator to take steps to pursue an appeal from a dismissal of the motion seeking the Approval Order, or from the allowance of an appeal from the Approval Order.
- 3.3 No condition of this Agreement may be waived by any one Party only. Any condition of this Agreement may only be waived by the agreement of all Parties in writing.

IV. EFFECTIVE DATE

- 4.1 If the Approval Order is issued, the Effective Date shall be the next business date following the date that is the later of the following:
 - (i) if no steps are taken by any Person to seek leave to appeal from the Approval Order, the last date for taking steps to seek such leave to appeal;
 - (ii) if no Person commences an appeal from the Approval Order, the last date for commencing such appeal;
 - (iii) if no steps are taken by any Person to seek leave to appeal from a dismissal of an appeal from the Approval Order, the last date for taking such steps;
 - (iv) if no appeal is commenced by any Person from a dismissal of an appeal from the Approval Order, the last date for commencing such appeal.

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For greater certainty, if the conditions set out in Section 3.1 of this Agreement are not met prior to the Outside Date, there shall be no Effective Date.

- 4.2 From time to time prior to the Effective Date, ITCAN shall supplement or amend Schedules A, C, E and F to this Agreement with respect to any matter hereafter arising or any information obtained after the date hereof which, if existing, occurring or known at or prior to the date of this Agreement, would have been required to be set out or described in such Schedules to this Agreement or which is necessary to complete or correct any information in such Schedules or in any representation or warranty of ITCAN, which has been rendered inaccurate thereby. ITCAN will have delivered or made available to the Liquidator copies of all documents set out or described in the Schedules to this Agreement, including in respect of any supplements to the Schedules delivered by ITCAN to the Liquidator after the date hereof and as of the Effective Date.

V. PAYMENT OF SETTLEMENT AMOUNT

- 5.1 Within ten business days following the Effective Date, if any, and following receipt of the certificate referenced at Section 9.6 of this Agreement, Reliance Canada in Liquidation shall pay the Settlement Amount to ITCAN or as it may direct.

VI. RELEASES

- 6.1 **Release of Reliance Releasees:** Upon the Effective Date, ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, on their own behalves and on behalf of all the ITCAN Entities, fully, finally, irrevocably and completely release, remise, acquit, forgive and forever discharge the Reliance Releasees of and from any and all Claims including without limitation the Policy Claims.
- 6.2 **Release of the ITCAN Entities:** Upon the Effective Date, Reliance Canada in Liquidation fully, finally, irrevocably and completely remises, releases, acquits, forgives and forever discharges the ITCAN Entities of and from any and all Claims in respect of the Policies including but not limited to any Claims that could result in an obligation to pay or repay the Settlement Amount, or any part thereof, or any other amount, to any Reliance

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Releasee or any of their reinsurers or retrocessionaires, and any Claims in respect of any action, inaction, representation or omission that predates this Agreement.

VII. TERMINATION:

7.1 Upon the Termination Date:

- 7.1.1 this Agreement shall be at an end, and no Party shall be bound by any of its terms except the terms of this Section VII or as may otherwise be specified in this Agreement;
- 7.1.2 this Agreement and all negotiations, statements, documents, and proceedings relating thereto shall be without prejudice to the rights of Reliance Canada, Reliance Canada in Liquidation and the ITCAN Entities, who shall be restored to their respective positions existing immediately before this Agreement was entered into;
- 7.1.3 this Agreement and the fact of its negotiation and execution and any related documents, including in connection with seeking the Approval Order, shall not constitute any admission by any of the ITCAN Entities, Reliance Canada or Reliance Canada in Liquidation, or be used against any of them for any purpose in any proceeding and, without limiting the generality of the foregoing, shall not constitute an admission or be used by any Person in an effort to create, prove or interpret the obligations of Reliance Canada and/or Reliance Canada in Liquidation under, or the terms and conditions of, any applicable Policy or other contract of insurance or otherwise;
- 7.1.4 only the following sections of this Agreement will survive and continue to have effect:

Section	Heading
II	Definitions
VII	Termination
IX	Representations and Warranties

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Section	Heading
10.2	Interpretation
10.3	Tax Consequences
10.6	Modification
10.7	Waiver
10.8	No Admissions
10.9	Non-Assignment
10.10	Solicitors' Fees
10.11	Headings
10.12	Notices
10.13	Counterparts
10.16	Entire Agreement
10.18	Governing Law
10.19	Jurisdiction and Forum
10.20	Language

VIII. GENERAL

- 8.1 **Uncertainty:** The Parties understand and acknowledge and assume all risk, chance or hazard, including with respect to the following, and nevertheless agree to this Agreement and to the scope of the releases set forth herein:
- 8.1.1 Claims (including without limitation the Policy Claims) that have been or could be asserted against them may increase or decrease in amount or in severity over time;
- 8.1.2 Claims (including without limitation the Policy Claims) that have been or could be asserted against them may include progressive, cumulative, unknown, and/or unforeseen elements, and that there may be hidden, unknown, and unknowable damages, defense expenses, or other costs related to such Claims (including without limitation the Policy Claims); and
- 8.1.3 Claims (including without limitation the Policy Claims) to which this Agreement pertains may be or become different in nature, scope or character from those that

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are now known, anticipated, alleged or expected and that they may be mistaken as to the character and extent of those Claims, injuries or damages.

- 8.2 **Full Force and Effect:** The Parties hereto expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those dealing with unknown and unsuspected claims, demands, and causes of action. In furtherance of their express intent to fully, finally, irrevocably and completely release as set out above, the Parties expressly waive any and all rights they may have under any contract, statute, code, regulation, ordinance, or at civil, or common law or in equity, which may limit or restrict the effect of a general release referenced in Sections 6.1 and 6.2 hereof as to Claims, including without limitation the Policy Claims, that they do not know or suspect to exist in their favour at the time of the execution of this Agreement.
- 8.3 **Waiver:** Reliance Canada and Reliance Canada in Liquidation hereby waive any rights of subrogation, unjust enrichment, contribution and indemnity, based in law or in equity or otherwise, that they may have, that they may obtain now or in the future, or that may accrue to them now or in the future, as against any other insurer of ITCAN in respect of the payment of the Settlement Amount. Nothing in this paragraph limits or is intended to limit the rights of Reliance Canada and Reliance Canada in Liquidation against their own reinsurers or retrocessionaires.
- 8.4 **Notice:** Notice of proceedings to seek the Approval Order shall be given to counsel representing the plaintiffs in each Action, each of the Primary and Excess Carriers named in Schedule "E", each of the Other Insurers named in Schedule "F", each of those persons currently entitled to service in the winding-up proceeding of Reliance Canada in the Ontario Court, and such other Persons, and in such manner, as the Ontario Court in the winding-up proceeding for Reliance Canada shall direct upon motion for directions by the Liquidator.
- 8.5 **Cooperation:** The Parties consent to and will cooperate with each other to pursue the Approval Order. Reliance Canada in Liquidation shall have carriage of the proceedings to seek the Approval Order.

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- 8.6 **ITCAN Cooperation:** ITCAN agrees to provide, or cause to be provided to Reliance Canada in Liquidation information, documentation and reasonable cooperation, if requested, in order to assist Reliance Canada in Liquidation responding to any Claim that may be brought by a Person against any Reliance Releasee in connection with a Claim relating to any ITCAN Entities. ITCAN further acknowledges and agrees that it will not take any steps to in any way prejudice the discharge of the Liquidator.

IX. REPRESENTATIONS AND WARRANTIES

- 9.1 Each Party separately represents and warrants that:
- 9.1.1 it has fully and carefully read and understood this Agreement, knows the contents thereof and has received the advice of independent legal counsel of its own choosing in connection with the Agreement or has had the opportunity to obtain such advice;
 - 9.1.2 it is not executing this Agreement as a result of financial disadvantage;
 - 9.1.3 it has full power and authority to enter into and deliver this Agreement and, in the case of ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, full power and authority to bind the ITCAN Entities to the terms of this Agreement;
 - 9.1.4 the individual(s) signing this Agreement on behalf of that Party is fully authorized to do so;
 - 9.1.5 it has not sold, assigned, transferred, conveyed, or otherwise disposed of its rights and interests in the Policies;
 - 9.1.6 this Agreement is enforceable in accordance with its terms; and
 - 9.1.7 this Agreement has been negotiated and analyzed by its counsel and has been executed and delivered in good faith, and for valuable consideration.
- 9.2 Each of Reliance Canada in Liquidation and ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited represents and warrants that it has conducted a search of its

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records and, as of the date upon which this Agreement is signed, is unaware of any primary, umbrella or excess liability policies issued to ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited by Reliance Canada other than the Policies.

- 9.3 ITCAN represents and warrants that it has conducted a search of its records and that Schedule "E" fully and accurately sets out each of the Primary and Excess Carriers and that Schedule "F" fully and accurately sets out each and all of the Other Insurers.
- 9.4 ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited represent and warrant that Schedule "A" fully and accurately sets out each and every proceeding against any of them in respect of which they do, could or might seek coverage, indemnity or other relief under or in respect of any of the Policies, up to and including the Effective Date.
- 9.5 Reliance Canada in Liquidation and the Liquidator represent and warrant that no claim will be asserted against the reinsurers of Reliance Insurance Company, Reliance Canada and/or Reliance Canada in Liquidation and each of their retrocessionaires seeking contribution or payment, in whole or in part, in respect of payment of the Settlement Amount.
- 9.6 Each of the representations and warranties made in or pursuant to this Agreement shall be true and correct at the Effective Date with the same force and effect as if made at the Effective Date, and each of the Parties shall have delivered to the other Party immediately following the Effective Date and prior to payment of the Settlement Amount a certificate dated the Effective Date, duly executed in the form of the certificate at Schedule "G" to this Agreement. The receipt of such certificate shall not be deemed to be a waiver of the representations and warranties by either Party contained in this Agreement, which representations and warranties shall continue in full force and effect.

X. MISCELLANEOUS

10.1 **Binding Resolution:** Subject to all of the terms of this Agreement:

- 10.1.1 this Agreement is a permanent, complete and binding accord and resolution of all of the rights, claims, questions, differences and obligations of the ITCAN Entities and the Reliance Releasees, including without limitation the disputed Claims,

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including the Policy Claims, existing or which may exist in the future with respect to any and all matters which are the subject of this Agreement; and

10.1.2 this Agreement shall be binding upon and enure to the benefit of the Parties, the ITCAN Entities and Reliance Canada, and their respective officers, directors, agents, employees, heirs, successors, administrators, transferees, assigns and legal representatives.

10.2 Interpretation:

10.2.1 This Agreement is not an insurance contract and no special rules of construction should apply to this Agreement.

10.2.2 This Agreement reflects the joint drafting efforts of legal counsel for the Parties. In the event that any dispute, disagreement or controversy arises regarding this Agreement the Parties shall be considered joint authors and no provision shall be interpreted against any Party because of authorship. There shall be no presumption or construction against any Party. Each Party expressly waives reliance on the doctrine of *contra proferentem* in respect of this Agreement.

10.2.3 In this Agreement, where applicable, the singular includes the plural and vice versa.

10.3 Tax Consequences: Each of ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited (i) expressly acknowledges on its own behalf and on behalf of the ITCAN Entities that no Reliance Releasee warrants or represents any tax consequences of this Agreement and that it is relying on its own legal and/or tax advisors and not on any Reliance Releasee in that regard, and (ii) expressly acknowledges and understands that it shall be solely liable for, and shall pay, any and all taxes, costs, interest, assessments, penalties or other losses related to any tax obligations or liabilities to which it may be subject by reason of the Settlement Amount or any benefit received by it pursuant to this Agreement.

10.4 Implementation: Subject to Section 3.2 of this Agreement, each Party agrees to take such steps and to execute any documents as may be reasonably necessary or proper to effectuate

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the purpose and intent of this Agreement and to preserve its validity and enforceability. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party hereto to invalidate, interpret, or prevent the validation, enforcement, or carrying out of all or any of the provisions of this Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate in opposing such action or proceeding.

10.5 **Enforcement:** Any Party may seek specific performance to enforce the terms of this Agreement.

10.6 **Modification:** This Agreement may not be amended, altered or modified except by a written agreement duly executed by the Parties.

10.7 **Waiver:**

10.7.1 No breach of this Agreement can be waived unless done in writing.

10.7.2 Waiver of one breach shall not be deemed to be waiver of any other breach of the same or any other provision hereof.

10.8 **No Admissions:**

10.8.1 This Agreement represents a compromise of disputed claims and shall not be or be deemed to be an admission or concession of liability, culpability, or wrongdoing.

10.8.2 Any evidence of the terms of or the execution of this Agreement or negotiations or discussions associated with this Agreement, and any related documents including in connection with seeking the Approval Order, shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations, except in (a) an action or proceeding between the Parties to enforce the terms of this Agreement, or (b) any action or proceeding between a Reliance Releasee and any of its reinsurers or retrocessionaires or any Person described in subparagraph 3(ii) of the Approval Order.

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- 10.8.3 This Agreement, and the fact of its negotiation and execution and any related documents, including in connection with seeking the Approval Order, shall not be used as evidence or in any other manner against any Reliance Releasee in any court or dispute resolution proceeding, to create, prove, or interpret any Reliance Releasee's obligations whatsoever including but not limited to obligations under the Policies.
- 10.8.4 Nothing contained in this Agreement and nothing in connection with the negotiation and execution thereof, including in connection with seeking the Approval Order, shall be deemed or construed to constitute (a) an admission by any Reliance Releasee that any ITCAN Entities or any other Person was or is entitled to any insurance coverage under the Policies or as to the validity of any of the positions that have been or could have been asserted; (b) an admission by any ITCAN Entities as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by any Reliance Releasee; or (c) an admission of any liability whatsoever with respect to any of the Actions; or (d) an admission as to the effect, if any, of certain of the Proofs of Claim being filed after the date set for filing by Order of the Ontario Court made August 3, 2010.
- 10.8.5 This Agreement and any and all statements or covenants herein shall be deemed subject to any and all legal and/or statutory protections afforded to compromises and offers to compromise.
- 10.9 **Non-Assignment:** Except as specifically provided in this Agreement, neither this Agreement nor the rights and obligations set forth herein may be assigned.
- 10.10 **Solicitors' Fees:** Each Party shall bear its own solicitors' fees and costs incurred in connection with the negotiation and drafting of this Agreement and the seeking of the Approval Order.
- 10.11 **Headings:** Section titles or headings contained in this Agreement are included only for ease of reference and shall have no substantive effect.

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10.12 **Notices:** All notices, demands, or other communication to be provided pursuant to this Agreement shall be in writing and sent by facsimile or by Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other Person or address as any of them may designate in writing from time to time:

If to the Liquidator:

Nick Brearton and Janine Bradley
KPMG Inc.
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada

With a copy to:

Graham Smith and Francy Kussner
Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto ON M5H 2S7
Canada

If to ITCAN, Imperial Brands Ltd. or Imperial Tobacco Company Limited:

Imperial Tobacco Canada Limited/
Imperial Tobacco Company Limited
Attn: V-P Law/General Counsel
3711 Saint-Antoine St.
Montreal, Quebec
H4C 3P6

With a copy to:

Deborah Glendinning and John MacDonald
Osler, Hoskin & Harcourt LLP
1 First Canadian Place, 100 King Street West
Suite 6100, P.O. Box 50
Toronto ON M5X 1B8
Canada

10.13 **Counterparts:** This Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed

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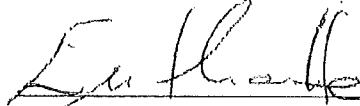
and delivered by facsimile or e-mail (PDF), which facsimile or e-mail (PDF) counterparts shall be deemed to be originals.

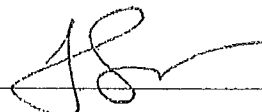
- 10.14 **Third Party Beneficiaries:** All of the Reliance Releasees and the ITCAN Entities are intended beneficiaries of this Agreement. Except as set forth in the prior sentence or otherwise set forth in this Agreement, there are no third party beneficiaries of this Agreement.
- 10.15 **Injunctive Relief:** It is acknowledged that irreparable injury may result in the event of a breach of this Agreement, and in the event of such a breach, or the threat thereof, the aggrieved party shall be entitled, in addition to any otherwise available legal and/or equitable remedies and without a showing of actual damage, to temporary or permanent injunctive or other equitable relief to restrain and/or enjoin any actual, prospective or threatened violation of this Agreement.
- 10.16 **Entire Agreement:** Each Party acknowledges that:
- 10.16.1 this Agreement embodies the entire agreement in respect of the Claims which are the subject matter hereof, including without limitation the Policy Claims, and the resolution of the matters described herein;
 - 10.16.2 no representations, promises or inducements of any kind have been made by any Party or officer, employee or agent of any Party, other than those set out in this Agreement;
 - 10.16.3 it has not executed this Agreement in reliance upon any promise, representation or warranty not set out in this Agreement;
 - 10.16.4 any and all prior negotiations, representations and promises made by one Party to another, whether orally or in writing, are merged in this Agreement.
- 10.17 **Recitals:** The Recitals are true and correct and constitute an integral and fundamental part of this Agreement.

- 10.18 **Governing Law:** The interpretation and enforcement of this Agreement shall be governed by the laws of Ontario and any applicable Federal legislation of Canada without regard to that jurisdiction's choice of law rules or principles.
- 10.19 **Jurisdiction and Forum:** Except as otherwise specified in this Agreement, any proceedings arising out of or relating in any manner whatsoever to this Agreement shall be conducted in the Ontario Court in the winding-up proceedings for Reliance Canada, in the City of Toronto. The Parties hereby consent and submit to the exclusive jurisdiction of said Ontario Court.
- 10.20 **Language:** The Parties hereto have requested that this Agreement (as well as all notices to be sent pursuant thereto) be drafted in the English Language. Les Parties, par les présentes, déclarent qu'elles ont demandé et convenu que cette entente soit rédigée en anglais seulement.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the last date indicated below.


**IMPERIAL TOBACCO CANADA LIMITED -
IMPERIAL TOBACCO CANADA LIMITEE**

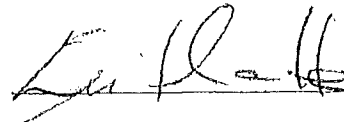
By: 
 Name: Eric Thauvette
 Title: VICE-President & CFO
 Date: June 17, 2015

By: 
 Name: Tamara Gitto
 Title: Vice-President, Law
 Date: June 17, 2015

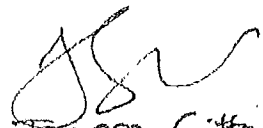
- 20 -

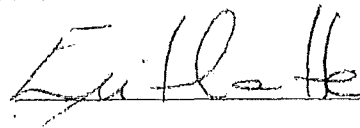
IMPERIAL BRANDS LTD.


Tamara Giffo
Director
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, vice-President & Treasurer
Date: June 17, 2015

IMPERIAL TOBACCO COMPANY LIMITED.


Tamara Giffo
Director & vice-President, Law
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, vice-President & CFO
Date: June 17, 2015

RELIANCE CANADA IN LIQUIDATION, BY ITS LIQUIDATOR, KPMG INC.

By: _____
Name: Nicholas Brearton
Title: President, KMPG Inc.
Date: _____

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IMPERIAL BRANDS LTD.

By: _____

Name: _____

Title: _____

Date: _____

IMPERIAL TOBACCO COMPANY LIMITED.

By: _____

Name: _____

Title: _____

Date: _____

RELIANCE CANADA IN LIQUIDATION, BY ITS LIQUIDATOR, KPMG INC.

By: N Breart

Name: Nicholas Brearton

Title: President, KPMG Inc.

Date: June 17, 2015

SCHEDULE "A"

1. Ontario Court (General Division), bearing Action No.: C17773/97 (the Action No. was changed to 06-CV-309667PD3 as a result of the matter being moved from Milton to Toronto) filed on or about May 1, 1997, by Mirjana Spasic as a Statement of Claim naming Imperial Tobacco Limited as a defendant;
2. Supreme Court of British Columbia, bearing Action No.: S010421 filed on or about January 24, 2001, by Her Majesty The Queen in Right of British Columbia as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
3. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000070-983. On or about September 3, 1998, Cécilia Létourneau filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 Létourneau filed a Motion to Institute Class Action Proceedings;
4. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000076-980. On or about November 18, 1998, the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion to Institute Class Action Proceedings;
5. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 1036 of 2009, filed on or about July 10, 2009 by Thelma Adams as a Notice of Motion for Certification naming Imperial Tobacco Canada Limited as a defendant;
6. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 916 of 2009, filed on or about June 12, 2009 by Thelma Adams as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
7. Court of Queen's Bench of Alberta, Judicial District of Calgary, bearing Action No.: 0901-08964, filed on or about June 15, 2009 by Linda Dorion as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
8. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI09-01-61479, filed on or about June 2009 by Deborah Kunta as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
9. Court of Queen's Bench of New Brunswick, Trial Division, Judicial District of Fredericton, bearing Action No.: F/C/88/08 filed on or about March 13, 2008, by Her Majesty the Queen in Right of The Province of New Brunswick as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited;

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10. Ontario Superior Court of Justice, bearing Action No.: CV-09-387984 filed on or about September 29, 2009, by her Majesty The Queen in Right of Ontario as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
11. Supreme Court of Nova Scotia, bearing Action No.: 312869 filed on or about June 18, 2009, by Ben Semple as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
12. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 10-2780, filed on or about June 25, 2010, by Barbara Bourassa on behalf of the Estate of Mitchell David Bourassa, as a Writ of Summons & Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
13. Supreme Court of British Columbia, Victoria Registry, bearing Action No.: 10-2769, filed on or about June 25, 2010, by R. McDermid as a Writ of Summons and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
14. Ontario Superior Court of Justice, bearing Action No.: CV-10-14709, filed on or about December 2, 2009, by The Ontario Flue-Cured Tobacco Growers' Marketing Board, Andy J. Jacko, Brian Baswick, Ron Kichler and Arpad Dobrentey as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
15. Ontario Superior Court of Justice, bearing Action No.: 00-CV-196070, filed on or about August 15, 2000, by Ronald McIntyre, by his estate representative, Maureen McIntyre as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
16. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 961769, filed on or about March 20, 1996, by David Brian Rowland as a Writ of Summons naming Imperial Brands Ltd. as a defendant;
17. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 031300, filed on or about May 8, 2003, by Kenneth Knight as a Writ of Summons naming Imperial Tobacco Canada Limited as a defendant; and
18. Supreme Court of Nova Scotia, bearing Action No.: 177663 filed on or about September 5, 2002, by Peter Stright, as an Amended Originating Notice naming Imperial Tobacco Company Limited as a defendant.
19. Ontario Court General Division, bearing Action No.: 97-CU-121572 filed by Meditrust Healthcare Inc., naming Shoppers Drug Mart, a division of Imasco Retail Inc., as a defendant.
20. Ontario Superior Court of Justice, bearing Action No.: 00-CV-183165 filed by Jasmine Ragoonanan et al., naming Imperial Tobacco Canada Limited as a defendant.
21. Supreme Court of Newfoundland and Labrador, Trial Division, bearing Action No.: 2011 OIG, No. 0826 filed by Attorney General of Newfoundland and Labrador, naming Imperial Tobacco Canada Limited as a defendant.

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22. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI 12-01-78127, filed by Her Majesty the Queen in Right of The Province of Manitoba naming Imperial Tobacco Canada Limited as a defendant.
23. Alberta Court of Queen's Bench, bearing Action No.: 1201-07314 filed by Her Majesty in Right of Alberta, naming Imperial Tobacco Canada Limited as a defendant.
24. Quebec Superior Court, District of Montreal, bearing Action No.: 500-17-072363-123 filed by Attorney General for the Province of Quebec, naming Imperial Tobacco Canada Limited as a defendant.
25. Ontario Superior Court of Justice, bearing Action No.: 53-794 of 2012, filed by Suzanne Jacklin, naming Imperial Tobacco Canada Limited as a defendant.
26. Supreme Court of Prince Edward Island General Section, bearing Action No.: S1-GS-25019 filed by Her Majesty the Queen in Right of the Province of Prince Edward Island, naming Imperial Tobacco Canada Limited as a defendant.
27. Supreme Court of Nova Scotia, bearing Action No.: 434868, filed by Her Majesty the Queen in Right of the Province of Nova Scotia naming Imperial Tobacco Canada Limited as a defendant.
28. Saskatchewan Court of Queens Bench, bearing Action No.: 871 of 2012 filed by the Government of Saskatchewan naming Imperial Tobacco Canada Limited as a defendant.

SCHEDULE "B"

Insurer	Policy	Policy Period
Reliance Insurance Company	7001361	04/01/1990 - 04/01/1991
Reliance Insurance Company	7001645	04/01/1991 - 04/01/1992
Reliance Insurance Company	7001994	04/01/1992 - 04/01/1993
Reliance Insurance Company	7002396	04/01/1993 - 04/01/1994
Reliance Insurance Company	7002872	04/01/1994 - 04/01/1995
Reliance Insurance Company	TGL0000112	04/01/1995 - 04/01/1996
Reliance Insurance Company	TGL0000113	04/01/1995 - 04/01/1996
Reliance Insurance Company	TXL0000875	04/01/1996 - 04/01/1997
Reliance Insurance Company	TXL0000875	04/01/1997 - 04/01/1998
Reliance Insurance Company	TXL0002374	04/01/1998 - 04/01/1999
Reliance Insurance Company	TXL0002374	04/01/1999 - 04/01/2000

SCHEDULE "C"

	Policyholder Name	Policy Number	Date of Policy	Court File No.
1.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996	C961769
2.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998	C17773/97
3.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	500-06-000070-983
4.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994	500-06-000076-980

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	
5.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	00-CV-196070
6.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	S010421
7.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993	17766

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	
8.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	L 031300
9.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	F/C/88/08
10.	Imperial Tobacco Canada Ltd.	7001361 7001645	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992	CI09-01-61479

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	
11.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	916 of 2009
12.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	1036 of 2009
13.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	0901-08964

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	
14.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	312869 2009
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	
15.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	CV-09-387984
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
16.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	CV-10-14709
17.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	10-2780
18.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998	10-2769

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		TXL0002374	04/01/1999 – 04/01/2000	
19.	Imperial Tobacco Canada Ltd.	7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998	97-CU-121572
20.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998	00-CV-183165
21.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998	2011 OLG No. 0826

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	
22.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	CI 12-01-78127
23.		7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	1201-07314

	Policyholder Name	Policy Number	Date of Policy	Court File No.
		Renewal Certificate dated April 21, 1998		
24.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1998 – 04/01/1999 04/01/1999 – 04/01/2000	500-17-072363-123
25.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1998 – 04/01/1999 04/01/1999 – 04/01/2000	53794 of 2012

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
26.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	S1-GS-25019
27.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	434868
28.	Imperial Tobacco Canada Ltd.	7001361 7001645	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992	871 of 2012

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1998 – 04/01/1999	
		TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1999 – 04/01/2000	

SCHEDULE "D"

Court File No. 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

THE HONOURABLE) DAY, THE DAY
)
) OF , 2015

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, made by KPMG Inc., in its capacity as Liquidator ("Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), for an Order approving the Full and Final Settlement and Release Agreement (the "Agreement"), a copy of which is attached as Schedule "A" hereto, and for other related relief, was heard this day at Toronto, Ontario.

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ON READING the Report of the Liquidator dated (the "**Report**"), and upon hearing the submissions of counsel for , no other party appearing although duly served in accordance with the Order for Directions made ,

1. **THIS COURT ORDERS AND DECLARES** that the service of the Notice of Motion and materials herein has been effected in accordance with the Order for Directions made and is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS AND DECLARES** that:

- (i) capitalized terms used in this Order and not otherwise defined in this Order shall bear the same meaning as in the Agreement;
- (ii) the Agreement is hereby approved, the execution, delivery and performance of the Agreement by the Liquidator is authorized and approved, and the Liquidator is hereby authorized to take such steps and acts and to execute such additional documents as are contemplated, necessary or desirable to give effect to the Agreement ; and
- (iii) the fact that this Order does not describe or include any particular provision of the Agreement shall not diminish or impair the effectiveness of such provision, it being the intent that the Agreement be approved in its entirety.

3. **THIS COURT ORDERS AND DECLARES** that upon the occurrence, if any, of the Effective Date and the unconditional payment of the Settlement Amount to ITCAN or as it may direct in accordance with the Agreement:

- (i) all Claims of ITCAN and the ITCAN Entities against all Reliance Releasees, including without limitation the Policy Claims, are and shall be deemed to be fully, finally, irrevocably and completely released, remised, acquitted, forgiven and forever discharged and all Proofs of Claim shall be deemed to be fully and finally withdrawn, discharged and without any force

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or effect, and ITCAN shall be deemed not to have filed any claims in the winding-up of Reliance Canada;

- (ii) any and all Claims against the Reliance Releasees of any and all Claimants, Primary and Excess Carriers, Other Insurers and any Person who asserts or could assert any Claim against the Reliance Releasees, in respect of, or arising out of, pursuant to, or in any way connected with the Policies, including without limitation any Claim pursuant to the direct action provisions of the *Civil Code of Québec* or any other statutory provisions granting direct rights of recovery, and whether arising at law, in equity, by statute, civil law, common law, contract, ordinance, or otherwise, reported or unreported, are and shall be deemed to be fully, finally, irrevocably and completely released, remised, acquitted, forgiven and forever discharged;
- (iii) if, in respect of a claim against any ITCAN Entities, such ITCAN Entities seek indemnity under any insurance policy that is excess to any Policy, then, once an amount equal to the limits of the Policy has been paid on the claim, including by any ITCAN Entities, the limits of such Policy shall be considered to have been paid for purposes of such excess policy.

4. **THIS COURT ORDERS** that the Agreement shall be binding on any monitor, trustee in bankruptcy, liquidator or receiver or the like that may be appointed in respect of any of the ITCAN Entities, and shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction at law, or in equity or under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct at law, or in equity or pursuant to any applicable federal or provincial legislation.

5. **THIS COURT ORDERS** that upon the occurrence of the Effective Date, the Liquidator shall forthwith file a Certificate with this Court substantially in the form of Schedule "●" attached thereto, advising of the occurrence of the Effective Date. In the event the Effective Date does not occur, then upon the Termination Date the Agreement shall be at an end, on the terms provided in Section 7.1 of the Agreement.

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6. **THIS COURT ORDERS** that the Agreement and the settlement provided for therein shall not constitute an admission regarding the validity of the Claims or defences resolved by the Agreement or that there is any liability in connection with those Claims or defences.

7. **THIS COURT ORDERS** that the Parties may, but are under no obligation to, extend the Outside Date.

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere, to give effect to this Order and to assist the Liquidator and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Liquidator in any foreign proceeding, or to assist the Liquidator and its agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that the Liquidator be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SCHEDULE "E"

Royal Insurance Company of Canada

The Commonwealth Insurance Company

Zurich Insurance Company

Guardian Insurance Company of Canada

Continental Insurance Company of Canada

CIGNA Insurance Company of Canada

Liberty Mutual Insurance Company

American Home Assurance Company

SCHEDULE "F"

Lloyd's of London

Chartis Insurance Company of Canada

AIG Commercial Insurance Company of Canada

American Home Insurance Company

SCHEDULE "G"

CERTIFICATE OF REPRESENTATIONS AND WARRANTIES

WHEREAS THE Effective Date under the Full & Final Settlement and Release Agreement has occurred and the Settlement Amount is payable following the execution of this Certificate, the parties hereto, confirm that the representations and warranties made in or pursuant to the Full & Final and Release Agreement are true and correct as at the Effective Date all in accordance with Article 9.6 thereof.

IMPERIAL TOBACCO CANADA LIMITED -
IMPERIAL TOBACCO CANADA LIMITEE

By: [Signature]
Name: Eric Thauvette
Title: vice. President & CFO
Date: June 17, 2015

By: [Signature]
Name: Tamara Gitto
Title: Vice-President, Law
Date: June 17, 2015

IMPERIAL BRANDS LTD.

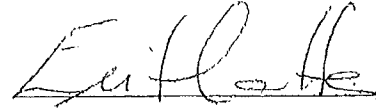
[Signature]
Tamara Gitto
Director
June 17, 2015

By: [Signature]
Name: Eric Thauvette
Title: Director, Vice-President & Treasurer
Date: June 17, 2015

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IMPERIAL TOBACCO COMPANY LIMITED


Tamara Gitto

By: 

Name: Eric Thauvette

Director & Vice-President, Law

Title: Director, Vice President & CFO

June 17, 2015

Date: June 17, 2015

RELIANCE CANADA IN LIQUIDATION, BY
ITS LIQUIDATOR, KPMG INC.

By: _____

Name: Nicholas Brearton

Title: President, KMPG Inc.

Date: _____



SCHEDULE "B"

Court File No. 01-CL-4313

**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

CERTIFICATE OF THE LIQUIDATOR

THIS CERTIFICATE is filed pursuant to paragraph 5 of the Order of the Honourable ● Justice ● dated ●, 2015 (Motion for Approval re: Settlement: Imperial Tobacco Canada Limited, Imperial Brands Limited and Imperial Tobacco Company Limited Policies) (the "**Approval Order**"). The capitalized terms used in this Certificate shall bear the same meaning as in the Approval Order. The Liquidator hereby certifies that the Effective Date occurred on ●.

Dated: _____

Reliance Canada in liquidation, by its liquidator,
KPMG Inc.

PER: _____

THE ATTORNEY GENERAL OF CANADA

Applicant

and

RELIANCE INSURANCE COMPANY

Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

**APPROVAL ORDER
(Motion for Approval Re: Settlement: Imperial
Tobacco Canada Limited, Imperial Brands Limited
and Imperial Tobacco Company Limited Policies)**

Goodmans LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Graham D. Smith LSUC #26377D
Gale Rubenstein LSUC #17088E
Francy Kussner LSUC #29943K
Tel: (416) 979-2211
Fax: (416) 979-1234
Email: gsmith@goodmans.ca
grubenstein@goodmans.ca
fkussner@goodmans.ca

Lawyers for KPMG Inc.,
Liquidator of Reliance Canada

B

SCHEDULE "B"

1. Ontario Court (General Division), bearing Action No.: C17773/97 (the Action No. was changed to 06-CV-309667PD3 as a result of the matter being moved from Milton to Toronto) filed on or about May 1, 1997, by Mirjana Spasic as a Statement of Claim naming Imperial Tobacco Limited as a defendant;
2. Supreme Court of British Columbia, bearing Action No.: S010421 filed on or about January 24, 2001, by Her Majesty The Queen in Right of British Columbia as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
3. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000070-983. On or about September 3, 1998, Cécilia Létourneau filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 Létourneau filed a Motion to Institute Class Action Proceedings;
4. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000076-980. On or about November 18, 1998, the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion to Institute Class Action Proceedings;
5. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 1036 of 2009, filed on or about July 10, 2009 by Thelma Adams as a Notice of Motion for Certification naming Imperial Tobacco Canada Limited as a defendant;
6. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 916 of 2009, filed on or about June 12, 2009 by Thelma Adams as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
7. Court of Queen's Bench of Alberta, Judicial District of Calgary, bearing Action No.: 0901-08964, filed on or about June 15, 2009 by Linda Dorion as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
8. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI09-01-61479, filed on or about June 2009 by Deborah Kunta as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
9. Court of Queen's Bench of New Brunswick, Trial Division, Judicial District of Fredericton, bearing Action No.: F/C/88/08 filed on or about March 13, 2008, by Her Majesty the Queen in Right of The Province of New Brunswick as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited;
10. Ontario Superior Court of Justice, bearing Action No.: CV-09-387984 filed on or about September 29, 2009, by her Majesty The Queen in Right of Ontario as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;

11. Supreme Court of Nova Scotia, bearing Action No.: 312869 filed on or about June 18, 2009, by Ben Semple as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
12. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 10-2780, filed on or about June 25, 2010, by Barbara Bourassa on behalf of the Estate of Mitchell David Bourassa, as a Writ of Summons & Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
13. Supreme Court of British Columbia, Victoria Registry, bearing Action No.: 10-2769, filed on or about June 25, 2010, by R. McDermid as a Writ of Summons and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
14. Ontario Superior Court of Justice, bearing Action No.: 64757, filed on or about December 2, 2009, by The Ontario Flue-Cured Tobacco Growers' Marketing Board, Andy J. Jacko, Brian Baswick, Ron Kichler and Arpad Dobrentey as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
15. Ontario Superior Court of Justice, bearing Action No.: 00-CV-196070, filed on or about August 15, 2000, by Ronald McIntyre, by his estate representative, Maureen McIntyre as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
16. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 961769, filed on or about March 20, 1996, by David Brian Rowland as a Writ of Summons naming Imperial Brands Ltd. as a defendant;
17. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 031300, filed on or about May 8, 2003, by Kenneth Knight as a Writ of Summons naming Imperial Tobacco Canada Limited as a defendant; and
18. Supreme Court of Nova Scotia, bearing Action No.: 177663 filed on or about September 5, 2002, by Peter Stright, as an Amended Originating Notice naming Imperial Tobacco Company Limited as a defendant.
19. Ontario Court General Division, bearing Action No.: 97-CU-121572 filed by Meditrust Healthcare Inc., naming Shoppers Drug Mart, a division of Imasco Retail Inc., as a defendant.
20. Ontario Superior Court of Justice, bearing Action No.: 00-CV-183165 filed by Jasmine Ragoonanan et al., naming Imperial Tobacco Canada Limited as a defendant.
21. Supreme Court of Newfoundland and Labrador, Trial Division, bearing Action No.: 20111 OIG. No. 0826 filed by Attorney General of Newfoundland and Labrador, naming Imperial Tobacco Canada Limited as a defendant.
22. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI 12-01-78127, filed by Her Majesty the Queen in Right of The Province of Manitoba naming Imperial Tobacco Canada Limited as a defendant.

23. Alberta Court of Queen's Bench, bearing Action No.: 1201-07314 filed by Her Majesty in Right of Alberta, naming Imperial Tobacco Canada Limited as a defendant.
24. Quebec Superior Court, District of Montréal, bearing Action No.: 500-17-072363-123 filed by Attorney General for the Province of Quebec, naming Imperial Tobacco Canada Limited as a defendant.
25. Ontario Superior Court of Justice, bearing Action No.: 53-794 of 2012, filed by Suzanne Jacklin, naming Imperial Tobacco Canada Limited as a defendant.
26. Supreme Court of Prince Edward Island General Section, bearing Action No.: S1-GS-25019 filed by Her Majesty the Queen in Right of the Province of Prince Edward Island, naming Imperial Tobacco Canada Limited as a defendant.
27. Supreme Court of Nova Scotia, bearing Action No.: 434868, filed by Her Majesty the Queen in Right of the Province of Nova Scotia naming Imperial Tobacco Canada Limited as a defendant.
28. Saskatchewan Court of Queen's Bench, bearing Action No. 871 of 2012, filed by the Government of Saskatchewan naming Imperial Tobacco Canada Limited as a defendant.

C

SCHEDULE "C"

Primary and Excess Carriers and Other Insurers

Insurer	Address
Royal Insurance Company of Canada	Royal & Sun Alliance Insurance Company of Canada 18 York Street Suite 800 Toronto, Ontario M5J 2T8
The Commonwealth Insurance Company	Northbridge Insurance 105 Adelaide Street West Suite 700 Toronto, Ontario M5H 1P9
Zurich Insurance Company	Zurich Canada First Canadian Place 100 King Street West Suite 5500 P.O. Box 290 Toronto, Ontario M5X 1C9
Guardian Insurance Company of Canada	Intact Financial Corporation address 700 University Avenue 15 th Floor Toronto, Ontario M5G 0A1
The Continental Insurance Company of Canada	250 Yonge Street Suite 1500 Toronto, Ontario M5B 2L7
Cigna Insurance Company of Canada	ACE INA Insurance 25 York St, Toronto, ON M5J 2V5

Insurer	Address
Liberty Mutual Insurance Company , as represented in Canada by Liberty International Canada	181 Bay Street Suite 1000 Toronto, Ontario M5J 2T3
American Home Assurance Company, Chartis Insurance Company of Canada and AIG Commercial Insurance Company of Canada	AIG Toronto 145 Wellington Street West Toronto, Ontario M5J 1H8
Lloyd's of London	Toronto Office: Royal Bank Plaza South Tower 200 Bay Street Suite 2930, PO Box 51 Toronto, ON M5J 2J2 Montreal Office: Montreal 1155 Metcalfe Street, Suite 2220 Montreal, Quebec H3B 2V6

THE ATTORNEY GENERAL OF CANADA
Applicant

and

RELIANCE INSURANCE COMPANY
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

**NOTICE OF MOTION
(Approval motion re: settlement: Imperial
Tobacco Canada Limited, Imperial Brands Ltd.
and Imperial Tobacco Company Limited Policies
– Motion returnable November 2, 2015)**

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Lawyers for KPMG Inc.,
Liquidator of Reliance Canada

2

Court File No. 01-CL-4313

**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**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

**REPORT OF KPMG INC., THE LIQUIDATOR OF
RELIANCE INSURANCE COMPANY – CANADIAN BRANCH
(Motion for Approval of Settlement: Imperial Tobacco Canada Limited, Imperial Brands
Ltd. and Imperial Tobacco Company Limited Policies)**

(Motion returnable November 2, 2015)

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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RELIANCE INSURANCE COMPANY

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**REPORT OF KPMG INC., THE LIQUIDATOR OF
RELIANCE INSURANCE COMPANY – CANADIAN BRANCH
(Motion Re Approval of Settlement: Imperial Tobacco Canada Limited, Imperial Brands
Ltd. and Imperial Tobacco Company Limited Policies)**

I. THE MOTION

1. This report is respectfully filed in support of a motion by KPMG Inc., the liquidator (the “**Liquidator**”) of the insurance business in Canada of Reliance Insurance Company (“**Reliance Canada**”) for an Order approving the Full and Final Settlement and Release Agreement dated June 17, 2015 (the “**ITCAN Agreement**”) entered into by Reliance Canada on the one hand and Imperial Tobacco Canada Limited (“**ITCAN**”), Imperial Brands Ltd. and Imperial Tobacco Company Limited on the other, and for related relief.

2. By way of summary, Reliance Canada has entered into a settlement with ITCAN with respect to all ITCAN's (including its predecessors') liability insurance with Reliance Canada. The Liquidator is recommending approval of the settlement as a prudent commercial resolution of potential obligations under the insurance policies, and an important step towards completing the liquidation.
3. As conditions to the settlement, the Liquidator requires certainty that any potential 'derivative' claims in relation to the ITCAN insurance are also settled as part of the *quid pro quo* for the settlement payment, along with any potential claims (e.g., in the nature of contribution) by other insurers by virtue of the ITCAN insurance.
4. There accordingly will have been widespread notice in respect of the relief sought by the time of hearing of the motion for approval.
5. A detailed background of the Reliance Canada estate's financial position (and the nature of its remaining insurance exposures), an explanation of the ITCAN insurance and what the ITCAN Agreement resolves, and an explanation of the rationale for the relief sought, follow below.

II. BACKGROUND

A. Reliance Insurance Company

6. Reliance Insurance Company ("**Reliance**") is a property and casualty insurer incorporated in the Commonwealth of Pennsylvania, in the United States of America. Reliance established Reliance Canada as a branch which carried on business in Canada.

7. In January 2001 the Insurance Commissioner for the Commonwealth of Pennsylvania (“**Pennsylvania Commissioner**”) put Reliance into formal supervision status. By this point, Reliance Canada had stopped issuing new policies and had begun “running off” (winding down) its existing business of already-written policies.
8. The Pennsylvania Commissioner determined that Reliance was insolvent and that there would be insufficient assets to pay all policyholders in full. On October 3, 2001 Reliance was ordered to be liquidated by the Commonwealth Court of Pennsylvania. The Pennsylvania Commissioner of Insurance was appointed liquidator of Reliance (“**U.S. Liquidator**”).
9. On October 5, 2001, pursuant to the *Insurance Companies Act* the Superintendent of Financial Institutions of Canada (the “**Superintendent**”) took control of the assets in Canada of Reliance together with its other assets held in Canada under the control of its chief agent.
10. By Order of this Court made December 3, 2001 (“**Winding-up Order**”), the insurance business of Reliance Canada was ordered wound-up pursuant to the provisions of the *Winding-up and Restructuring Act* (“**WURA**”). By a second Order made December 3, 2001 (“**Appointment Order**”), KPMG Inc. was appointed as Liquidator. The assets of Reliance Canada are held by the Liquidator for the benefit of claimants of Reliance Canada, separate and apart from the assets of Reliance, and the two estates in liquidation are distinct. Attached as Schedule “A” is a copy of the Winding-up Order and attached as Schedule “B” is a copy of the Appointment Order.

11. In the Appointment Order (Schedule “B”), this Court appointed the U.S. Liquidator and the Property and Casualty Insurance Compensation Corporation as Inspectors. By Order dated January 30, 2002, this Court ordered that the Superintendent may attend meetings of inspectors, be included in the service list, and attend and be heard in matters before this Court.
12. Copies of the Liquidator’s previous reports to this Court, including all Orders issued by this Court, can be found on the Liquidator’s website at: www.relianceinsurance.ca. Attached as Schedule “C” is a list of all the Orders issued previously in these proceedings.

B. Reliance Canada’s Insurance Business

13. Reliance Canada wrote a very diverse set of policies, including comprehensive general liability, medical malpractice liability, directors’ and officers’ liability, engineers’ and architects’ liability, lawyers’ errors and omissions liability, miscellaneous errors and omissions liability, auto liability, automobile warranty, marine cargo and liability, property loss and other programs.
14. While some of Reliance Canada’s policies were “claims-made” policies, meaning that they covered claims made against the insured during the term of the policy and reported within the term or a defined period thereafter, a substantial portion of its policies was “occurrence-based.” Occurrence-based policies cover liabilities incurred during the policy period that may not become known or manifest until later – sometimes years later. This latter business is known as “long tail” insurance. Much of Reliance Canada’s insurance business was of a long tail nature.

15. As referenced above, in 2000 Reliance Canada voluntarily had stopped writing new policies, effectively beginning the winding-down of its business. At the commencement of the Reliance Canada liquidation in December 2001, Reliance Canada had 16 policies still in force, excluding the warranty programs, with the policy term of all the other policies having expired.

C. Policy Liabilities

16. Claims which have been reported to Reliance Canada but are not yet resolved or settled are known as open claims ("**Open Claims**"). At the commencement of the liquidation, there were 1,100 Open Claims.

17. Reliance Canada establishes from time to time an estimate of the amount to resolve or settle Open Claims, which amount is known as the case reserves ("**Case Reserves**").

18. In addition, Reliance Canada has "incurred but not reported" ("**IBNR**") exposure, which includes (i) claims not yet reported for which Reliance Canada may ultimately be put on notice and to which it would have to respond, and (ii) future developments associated with Open Claims, being amounts which are incremental to Case Reserves.

D. The Run-off of Reliance Canada's Business in Liquidation

19. Since the commencement of the winding-up, the Liquidator has continued the run-off of Reliance Canada's business in an orderly manner, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. Accordingly, there has been no cancellation of policies ordered as a term of the winding-up and claims have

continued to be reported to, and adjusted by, Reliance Canada in the normal course to this day (subject to the effect of the call for claims, discussed below).

20. Pursuant to Orders of this Court, the Liquidator has paid and continues to pay policy benefits, namely: (a) eligible defence and adjustment costs, and (b) distribution of 100 cents-on-the-dollar on policy loss claims (“**Policy Loss Claims**”) which have been allowed. The Liquidator is paying allowed ordinary creditor claims of 100 cents-on-the-dollar, up to a cumulative total of \$100,000. Additionally, as authorized by the Court, the Liquidator paid post-liquidation interest of 5% *per annum* on Policy Loss Claims that had been resolved but had not been paid in full before the cumulative distribution percentage thereon reached 100%.

E. Call for Policy Loss Claims

21. On August 3, 2010, this Court granted an Order approving a process under the *WURA* in respect of a call for Policy Loss Claims (the “**Call for Policy Loss Claims**”). The Call for Policy Loss Claims fixed December 17, 2010 under section 74 of the *WURA* as the last day on which Policy Loss Claims could be sent to the Liquidator, and approved the form of proofs of claim (“**POCs**”) to submit Policy Loss Claims.
22. In accordance with the Call for Policy Loss Claims, the Liquidator sent individual notices, at the last known address set out in the books and records of Reliance Canada, to the following:
 - (i) those policyholders or claimants with Open Claims;
 - (ii) holders of occurrence-based policies written by Reliance Canada;
 - (iii) liability reinsureds (insurers whom Reliance Canada reinsured); and

- (iv) brokers and managing agents that brokered or managed insurance programs for Reliance Canada's business.

23. The Liquidator also gave notice of the Call for Policy Loss Claims by way of these public notices:

- (i) two publications of an English language notice (the "**General English Publication**") in the national edition of *The Globe and Mail* newspaper and in *The Toronto Star*;
- (ii) two publications in a French language notice (the "**General French Publication**") in *La Presse*;
- (iii) two publications of notice in respect of the Family line of business (the "**Family Publication**") in the *Vancouver Sun* and one publication in the British Columbia Gazette;
- (iv) one publication of the General English Publication in the *Canada Gazette* and the official Gazette of each of the Provinces, other than Quebec;
- (v) one publication of the General French Publication in the *Canada Gazette* and the official Gazette of each of the Provinces; and
- (vi) one publication of the General English Publication, the General French Publication and the Family Publication in the *Canadian Underwriter* (an insurance industry publication).

Copies of the General English Publication, the General French Publication and the Family Publication are attached hereto as Schedules "D", "E" and "F", respectively.

24. All notices were also posted on the website maintained by the Liquidator (www.relianceinsurance.ca). Additionally, the Liquidator set up a call centre to assist with questions regarding the process. The Liquidator also set up a direct email address so that inquiries could be sent directly to the Liquidator.

25. The following were the results of the Call for Policy Loss Claims, as at March 31, 2015:
- (i) a total of 3,610 POCs were received, pertaining to policies with total policy limits of approximately \$1.32 billion;
 - (ii) POCs were not filed in respect of 37 Open Claims that were on the books and records of Reliance Canada at the commencement of the Call for Policy Loss Claims (the “**Non-Filed Open Claims**”). As these were already open on the books of Reliance Canada, the Liquidator (as previously reported to the Court) has continued to finalize these claims and make any appropriate payments thereunder;
 - (iii) certain POCs were filed past the December 17, 2010 deadline (“**Late Filed POCs**”) by non-tobacco company policyholders. The Liquidator has determined that, given Reliance Canada’s ability to pay valid claims including the Late Filed POCs, pursuant to the *WURA* these Late Filed POCs will be afforded the same treatment as timely filed POCs;
 - (iv) as referenced in more detail below, further late POCs have recently been filed by ITCAN and another tobacco company policyholder.
26. The Liquidator determined that a disallowance of claims process was appropriate and would advance the resolution of a significant number of Policy Loss Claims and the ultimate wind-up of the estate. By Order dated March 2, 2012, the disallowance process was approved.
27. The Liquidator has resolved 3,322 POCs either by way of disallowance (with no appeal therefrom), settlement or other resolution, and resolved 36 of the Non-Filed Open Claims. Collectively, these POCs and Non-Filed Open Claims pertained to policies with total policy limits of approximately \$588 million.
28. Notices of appeal from disallowance of claim (“**NOAs**”) were received for 24 POCs which had been disallowed. As at March 31, 2015, 21 of the NOAs remain unresolved. The Liquidator will be seeking directions from this Court, at a later date, with respect to a process for dealing with unresolved NOAs.

29. A total of 10 late POCs were filed by ITCAN on June 9, 2015. Additionally, on April 28, 2015, May 4, 2015 and May 7, 2015, another tobacco company policy holder filed a total of 19 late POCs.
30. A total of 317 unresolved POCs remain (the “**Remaining POCs**”), including unresolved Late Filed POCs and the other late POCs, along with the one remaining Non-Filed Open Claim. Since various parties had filed duplicate POCs with respect to the same Policy Loss Claim, after reviewing the Remaining POCs the Liquidator determined that the Remaining POCs including the Non-Filed Open Claim relate to 84 claims for 16 policyholders. The 84 claims collectively pertain to policies with total policy limits of approximately \$735.8 million.
31. Of the 84 claims, 38 relate to contingent claims for 5 policyholders, collectively pertaining to policies with total policy limits of \$317 million. Contingent claims include those which are with respect to a possible occurrence prior to the expiry of the policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant, and/or in respect of which no claim has yet been made against a policyholder or an insured thereunder.
32. Taking into account total policy limits pertaining to all Remaining POCs and the one remaining Non-Filed Open Claim, duplicate-filed POCs, POCs which have been disallowed and for which no appeal was received, resolved POCs and resolved Non-Filed Open Claims, the total gross claim exposure to Reliance Canada is approximately \$735.8 million as at March 31, 2015.

33. In the event (which the Liquidator considers unrealistic) that all Remaining POCs and the one remaining Non-Filed Open Claim were settled at their full policy limits, the total claim exposure of Reliance Canada, net of reinsurance, would be approximately \$53.3 million, assuming all reinsurance associated with those claims were collectable.

III. FINANCIAL STATUS OF THE ESTATE

A. Distribution History

34. This Court has approved 6 distributions to policyholders, resulting in a total recovery of 100% of the value of their allowed Policy Loss Claims and, where applicable, a distribution of post-liquidation interest of 5%.

35. A distribution of 100% on allowed ordinary creditor claims was also made, pursuant to this Court's Order made December 17, 2008.

B. Passing of Accounts and Approval of Professional Fees

36. This Court has from time to time passed and approved the accounts of the Liquidator, and approved the professional fees of the Liquidator and its counsel, cumulatively for the period from the date of the winding-up order to March 31, 2014.

C. Financial Status

37. Attached as Schedule "G" are the unaudited financial statements for the estate as at March 31, 2015 ("**Reliance Canada Financial Statements**"), prepared in a manner consistent with the financial statements before this Court as at March 31, 2014 and previously, and which rely on the same system of internal controls to safeguard the accuracy and reliability of the financial reporting process. The accounting policies used

in the preparation of the Reliance Canada Financial Statements have been selected with a view to reflecting the financial position of an insurance company that is in liquidation and are not necessarily in conformance with generally accepted accounting principles or international financial reporting standards.

38. As noted in previous Reports, a key characteristic of the Reliance Canada claims profile has been its “lumpiness.” That is, a significant number of its policies do not have frequent claims but, if claims occur, they tend to be severe. As further progress is made in dealing with the Policy Loss Claims and more information becomes available on which to assess them, the Liquidator adjusts the policy liabilities. In particular, where Policy Loss Claims are resolved for amounts lower than the amounts reserved for them, the policy liabilities are reduced, and where more information becomes available to indicate a higher exposure than has been reserved, the policy liabilities are increased. (Increases normally also have the effect of increasing the reinsurance recoverables since these claims are generally reinsured at significant levels.) Accordingly, some fluctuations in the estimated level of surplus in the estate are to be expected, given the volatility inherent in such a portfolio.
39. The projected estate surplus has increased from approximately \$85.3 million as at December 3, 2001 to approximately \$105.3 million as at March 31, 2015. The principal reasons for the change in the surplus are favourable developments in the estimated value of the total policy liabilities and investment income.

(i) **Assets**

Cash and Investments

40. As at March 31, 2015, the assets of Reliance Canada were cash and investments totalling approximately \$115 million, with the market value being \$117.3 million. Pursuant to the Court's approval by previous Orders, the cash and assets are held in the RBC Canadian Money Market Fund, the RBC Canadian Short-Term Income Fund, and the Phillips Hager & North Short Term Bond and Mortgage Fund.

41. The Liquidator reviews the allocation of funds regularly in order to rebalance Reliance Canada's holdings, taking into consideration such matters as expected cash flows, duration of the claim book and market conditions. In addition, the Liquidator meets with RBC Asset Management periodically to assess results.

Reinsurance

42. The other major asset of Reliance Canada is reinsurance, consisting of:

- (i) reinsurance covering only the liabilities of Reliance Canada ("**Canadian Reinsurance**"); and
- (ii) certain reinsurance entered into through Reliance's head office ("**International Reinsurance**") that reinsures both Reliance Canada policies and policies written through Reliance's business in the U.S.

43. The percentage of Reliance Canada's Case Reserves that is reinsured changes over time as the composition of the Case Reserves changes. As at March 31, 2015, approximately 56.4% of Reliance Canada's Case Reserves were reinsured, approximately 75.5% of which was Canadian Reinsurance and 24.5% International Reinsurance. These percentages do not reflect estimates for uncollectible reinsurance due to credit, collection

or contractual risk. Over 84.7% of the reinsurance on the Case Reserves as at March 31, 2015 is with reinsurers rated "A" or higher.

44. By March 31, 2015, the Liquidator had collected approximately \$128.8 million in reinsurance since the beginning of the liquidation. Reinsurance receivables (amounts billed to reinsurers), net of a provision for uncollectible reinsurance, were approximately \$0.3 million at March 31, 2015. Reinsurance recoverables (being amounts referable to (i) reported claims not yet billed and (ii) IBNR, net of a provision for uncollectible reinsurance) were approximately \$3.1 million as at March 31, 2015.

(ii) Liabilities

45. At March 31, 2015, the estimated value of the policy liabilities was \$11.6 million, determined as described in more detail below.
46. As noted, the Liquidator undertook the Call for Policy Loss Claims, which was completed on December 17, 2010. The Liquidator has taken the results of the Call for the Policy Loss Claims (including Late Filed POCs) and the Non-Filed Open Claims into account in estimating the value of the policy liabilities and these results are discussed in more detail further on in this Report.
47. The Liquidator has relied on, and continues to rely on, actuarial projections to reach a view as to the total claims exposure of the estate.

Policy Loss Claims

48. There are four categories of Policy Loss Claims:
- (i) Policy Loss Claims that are settled or otherwise resolved. As at March 31, 2015, approximately 18,600 Policy Loss Claims, with a total value of approximately \$180.8 million, have been resolved, through settlement or otherwise, since the beginning of the liquidation. These have all been paid in full, with post-liquidation interest where appropriate;
 - (ii) Open Claims (claims that have been reported but not yet resolved) for which Reliance Canada had established Case Reserves. As at March 31, 2015, there were 34 Open Claims outstanding, with outstanding Case Reserves of approximately \$7.5 million. (Case Reserves are adjusted as additional information on the estimated amount of a claim becomes known during the course of its adjustment.);
 - (iii) the provision for IBNR, including developments in Open Claims, the cost of which is incremental to the Case Reserves; and
 - (iv) contingent claims, which are claims with respect to a possible occurrence prior to the expiry of a policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant and/or in respect of which no claim has yet been made against a policyholder or an insured thereunder.

Liability Claims Projection Process

49. The Liquidator has applied the same methodology in projecting the policy liabilities for the purpose of this Report as was done for the previous reports. The Liquidator has undertaken an extensive review of the policy liabilities. On a periodic basis, the Liquidator or its legal counsel instructs an external consulting actuary, who acted for Reliance Canada before it was ordered to be wound-up, to provide his best estimate of policy liabilities in accordance with accepted actuarial standards of practice, except that a discount for the time value of money is not used and there is no explicit provision for adverse deviation. Representatives of the U.S. Liquidator have also reviewed the Case Reserves.

50. The most recent actuarial reviews were performed as at November 30, 2013, December 31, 2010 and June 30, 2009. The consulting actuary was instructed to confirm his best estimate of the Reliance Canada policy liabilities including any potential liability for contingent claims. With respect to the November 30, 2013 actuarial review, it was felt that standard actuarial techniques would not be effective in evaluating the reduced number of claims involving multiple years and multiple lines of business. As a result, the consulting actuary reviewed each claim individually to determine a range of probable settlement values of each claim. In addition, discounts to reflect the time value of money were not applied.

51. The Liquidator reviewed the analysis underlying the actuarial estimates and carried forward the estimates from November 30, 2013 to March 31, 2015. The Liquidator's estimate of \$11.6 million for policy liabilities, including contingent claims, as at March 31, 2015 is based upon the actuarially determined best estimate.

52. Actuarial projections typically consider:
 - (i) the current level of reserves;
 - (ii) the history of claims development;
 - (iii) the nature of the liabilities underwritten and the terms of the policies;
 - (iv) industry experience and current developments with respect to similar kinds of policies and liabilities; and
 - (v) the potential for adverse deviation.

53. Actuaries then reach a view as to the total policy liabilities to which the insurer will be exposed, including the IBNR provision for unreported claims and upward adjustment for reported claims. While the actuaries generally provide a single best estimate, there is

clearly a range for valuing the total liabilities, depending on the degree of conservatism to be achieved.

54. Considerable judgment is required to evaluate claims and establish claims liabilities. These estimates of future loss activity are based on known facts and interpretation of circumstances. These estimates are subject to variability. The variability arises because not all events affecting the ultimate settlement of claims have yet taken place. (Additional factors affecting the variability include receipt of additional claim information, the continually evolving and changing regulatory and legal environment, court decisions, economic conditions, public attitudes, claims management practices, actuarial studies, and significant changes in the severity or frequency of claims from historical trends.)

(iii) Summary

55. As at March 31, 2015, the book value of Reliance Canada's cash and investments was approximately \$115 million, while the estimated policy liabilities – also known as cumulative unpaid claims (which take into account Case Reserves, IBNR, contingent claims and related expenses) - totalled approximately \$11.6 million. Below is a summary breakdown for the estate as of March 31, 2015:

	March 31, 2015 (in millions)¹
Assets	
Cash or investments ²	\$115.0
Reinsurance receivables and recoverables net of estimate for uncollectible reinsurance	\$3.4
Miscellaneous	\$5.0
Total Assets	<u>\$123.4</u>
Liabilities	
Cumulative unpaid claims	\$11.6
Other Liabilities	\$6.5
Total Liabilities	<u>\$18.1</u>
Total Surplus	<u>\$105.3</u>

56. As noted, the projected surplus for Reliance Canada as at March 31, 2015 is approximately \$105.3 million, being \$123.4 million of total assets less total liabilities of \$18.1 million.

IV. FUTURE OF THE ESTATE/INTEREST OF RELIANCE

57. The Liquidator continues to run-off Reliance Canada's business in an orderly manner, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. The Liquidator previously reported to this Court that the consulting

¹ Amounts in this column are rounded.

² Market value: \$117.3 million at March 31, 2015; \$114.4 million at December 3, 2001.

actuary who was retained estimated that the run-off would continue to 2019, with the number of payments declining going forward. However, given the status of certain claims against the estate, and the nature of certain policies written by Reliance Canada, it is the Liquidator's view that the run-off will likely continue well beyond 2019, absent resolution of certain Policy Loss Claims.

58. Pursuant to subsection 161(10) in Part III of the *WURA* (the part applying specifically to insurance companies), the Liquidator may, with the approval of the Court, release to Reliance (as the "foreign company") any balance of the assets remaining after payment of claims in the order of priority prescribed by subsection (9). The priorities are as follows:

- (i) costs of the liquidation;
- (ii) claims of preferred creditors;
- (iii) claims of policyholders of the company; and
- (iv) expenses that were incurred by the Superintendent in respect of the company and assessed against and paid by other companies pursuant to the *Insurance Companies Act*, and interest in respect thereof at such rate as specified by the Superintendent.

59. Similarly, pursuant to subsection 95(1) of Part I of the *WURA* (the part applying to liquidations generally, but subject to Part III), the Court is to distribute to Reliance any surplus that remains after the satisfaction of the debts and liabilities of the company and the winding-up charges, costs and expenses.

60. Accordingly, the U.S. Liquidator on behalf of Reliance would be entitled, with the Court's approval, to any surplus after satisfaction of all priority amounts. The U.S. Liquidator has made significant progress in its own estate and has issued Notices of Determination for approximately 98% of the proofs of claim filed in its estate. However,

the Reliance estate under the control of the U.S. Liquidator suffers from a significant deficit. As at September 30, 2014, the U.S. Liquidator has only paid total cumulative interim distributions of 40% on allowed claims.

61. The Liquidator has continued to consider ways in which the Liquidator can expedite the completion of the Reliance Canada estate. The Liquidator has consulted with the U.S. Liquidator with respect to structuring a transaction to transfer the policy liabilities to another insurer, or a reinsurer, that would assume liability for them (an “**Assumption Reinsurance Transaction**”) as one means to expedite the completion of the liquidation and facilitate the release of surplus.
62. The Liquidator has pursued an Assumption Reinsurance Transaction on several occasions, each time without success. The Liquidator believes this has been due to, among other things, uncertainties concerning potential liabilities and the inability to separate the International Reinsurance which reinsures both Reliance and Reliance Canada policies.
63. As such, the Liquidator continues to consider other commercially reasonable ways to expedite the completion of the Reliance Canada liquidation, including resolution of claims and a potential claims determination and valuation process.

V. ITCAN

A. Policies

64. ITCAN is one of the policyholders which has filed POCs with the Liquidator.

65. Reliance Canada issued to ITCAN 11 excess liability, or excess umbrella liability, policies with respect to comprehensive general liability coverage (the “**ITCAN Policies**”). These had yearly policy terms, the first commencing April 1, 1990 and the last expiring April 1, 2000 (cumulatively, the “**Period**”). A list of the ITCAN Policies is attached hereto as Schedule “H”.
66. The ITCAN Policies are what is known as “follow form” policies. That is, they incorporate not only their own terms but those of the policies “below” them (i.e., the policies to which they are excess).
67. Each of the ITCAN Policies was written for a term of 12 months with policy limits ranging from \$3 million to \$25 million for each occurrence and on an annual aggregate basis. The total policy limits for the ITCAN Policies for the Period are \$173 million.
68. The ITCAN Policies are occurrence-based policies, meaning that they cover certain liabilities that were incurred during the Period and that may not be known or manifest until long after the Period has expired.
69. Since the ITCAN Policies are excess policies, Reliance Canada’s obligation to pay with respect to an occurrence falling within the terms of a policy would not be triggered until the amount of the applicable underlying limit(s) has been paid (known as the attachment point). A loss payable under an excess policy is therefore usually referred to as an “ultimate net loss.” Reliance Canada’s policy attachment points for the ITCAN Policies ranged from \$35 million to \$47 million, depending on the policy year, with the exception of one policy year having an attachment point of \$2 million.

B. Claims Asserted by ITCAN

70. Pursuant to the Call For Policy Loss Claims, ITCAN filed 18 contingent POCs with the Liquidator. As noted, ITCAN has also filed 10 additional late POCs on June 9, 2015 with respect to actions that (except in one case) were commenced after the Call For Policy Claims deadline of December 17, 2010 (together, with the previously filed 18 contingent ITCAN POCs, the “**ITCAN Policy Claims**”). The ITCAN Policy Claims relate to various actions, including class actions and provincial government actions commenced against ITCAN between 1997 and 2015 (collectively, the “**ITCAN Actions**”).
71. The ITCAN Actions include numerous claims for injury alleged to have been incurred from use of ITCAN’s tobacco products, and governmental claims in respect of health care costs. The latter ITCAN Actions are brought on behalf of the provincial governments pursuant to healthcare costs recovery statutes, which, in general terms, permit those governments to seek recovery of health care costs that are said to be related to disease arising from the use of tobacco products. A list of the ITCAN Actions, provided by ITCAN, is set out in Schedule “I” hereto (and is a schedule to the ITCAN Agreement).
72. Reliance Canada issued a reservation of rights letter, by which Reliance Canada expressly reserved all rights, defences and positions in respect of ITCAN’s 18 timely-filed POCs. With respect to the ITCAN late POCs, the Liquidator similarly reserves all such rights, defences and positions, as well as any arising by virtue of the filings being late.

73. In the absence of the settlement discussed below, ITCAN could potentially file additional late POCs for any new claims that are brought against it.
74. The damages collectively sought in the ITCAN Actions far exceed the policy limits and aggregate limits of each of the ITCAN Policies.
75. It is expected that the ITCAN Actions underlying ITCAN's claims under the ITCAN Policies will take many years to be completed, including any appeals therein. As an example, the trial of two of the ITCAN Actions, which are class actions in the Québec Superior Court commenced in 1998, was just completed in December 2014. The decision in these matters was released on June 1, 2015. The Québec Superior Court found the defendants (which included ITCAN) severally liable for both moral and punitive damages, totalling (for all defendants) in excess of \$15 billion. The court ordered provisional execution of the judgment notwithstanding any appeal, whereby ITCAN must deposit \$742.5 million in trust with its attorneys within sixty days of the date of the judgment.

VI. PROPOSED SETTLEMENT

A. Potential Routes to Address the ITCAN Policy Claims

76. Reliance Canada takes the position that it has valid defences to the ITCAN Policy Claims, including that the coverage afforded by the ITCAN Policies does not extend to the ITCAN Policy Claims. The ITCAN Policies (and policies to which they follow form) include a number of specific exclusions from coverage, one of which is a tobacco products health hazard exclusion endorsement, and another of which is a punitive or

exemplary damages exclusion endorsement. ITCAN's position, however, is that there is coverage under the ITCAN Policies for the ITCAN Policy Claims.

77. One potential route to address the ITCAN Policy Claims would be to allow all the underlying ITCAN Actions (and any future claims asserted for which ITCAN seeks coverage under the ITCAN Policies) to run their course, along with all appeals therefrom, and then have any coverage dispute litigated based upon the outcome of each of the ITCAN Actions (and any such future claims). This route will likely entail the continuation of the run-off of Reliance Canada for many years, potentially decades.
78. An alternative route would be to litigate to seek a coverage determination in respect of each of the ITCAN Policy Claims – notwithstanding that many, if not all, of the ITCAN Actions will not have run their course – by way of determination of the validity or invalidity of those claims under the ITCAN Policies, in a process to be determined by this Court. Depending on the ultimate coverage determination, it may be necessary to subsequently seek a determination of the value of any claims found to be covered, most if not all of which would have to be evaluated on a contingent-valuation basis. This route will also likely entail the continuation of the winding-up of Reliance Canada for many years.
79. Both routes would result in significant further costs to the estate, both in litigating the ITCAN Policy Claims and in continuing to administer the estate, and a potentially significant protraction of the time-frame for completion of the liquidation.
80. If ultimately there were found to be coverage in respect of any ITCAN Policy Claims, and amounts were payable under the ITCAN Policies, Reliance Canada would look to

reinsurance coverage in respect of the ITCAN Policies. The reinsurance (assuming it would be collectable at the time) does not provide 100% reinsurance for Reliance Canada or the ITCAN Policies however. That is, there is what is known as a 'net retention' for Reliance Canada (the amount of which is confidential and sensitive information).

81. Over time, the risk to collectability of reinsurance increases due to, for example, potential insolvency of reinsurers, solvent schemes of arrangement (at least for UK reinsurers), and/or wind down of their business. There is also a potential for protracted, and potentially expensive, disputes with reinsurers on any reinsurance claims, given the complexity of underlying claims and possible strategic concerns of reinsurers.

B. The Proposed Settlement

82. Given all the considerations, the Liquidator has explored the potential of a resolution of all claims that ITCAN may have. After an extensive process over several years, the Liquidator and ITCAN have reached a settlement of all potential liability to ITCAN in respect of the ITCAN Policies, subject to this Court's approval.
83. On June 17, 2015, Reliance Canada and ITCAN entered into the ITCAN Agreement. A copy of the Agreement is attached hereto as Schedule "J". The ITCAN Agreement is strictly conditional upon this Court's approval of it and related relief, substantially in the form of the draft Order sought herein.
84. Pursuant to the ITCAN Agreement, ITCAN and related parties will fully release and discharge Reliance Canada and related parties as provided in the ITCAN Agreement, including a release of and from any and all claims made or asserted (or that could be) in any way connected with the ITCAN Policies, reported or unreported. In exchange,

Reliance Canada will make a one-time settlement payment to ITCAN of \$10 million (the “**ITCAN Settlement Payment**”).

85. The ITCAN Agreement represents a compromise of disputed claims and is not an admission or concession by either Reliance Canada or ITCAN with respect to any rights, defences or positions. In particular, nothing in the ITCAN Agreement constitutes:

- (a) any admission by Reliance Canada that ITCAN or any other person was or is entitled to any insurance coverage under the ITCAN Policies, or any admission as to the validity of any of the positions that have been or could have been asserted by ITCAN;
- (b) any admission by ITCAN as to the validity of any of the positions or defences to coverage that have been or could have been asserted by Reliance Canada; or
- (c) any admission by either Reliance Canada or ITCAN of any liability whatsoever with respect to any of the ITCAN Actions.

C. Non-ITCAN Parties

86. Although there has been no determination as to the jurisdiction of the governing law of any of the ITCAN Policies (and the Liquidator reserves all rights and positions in that regard), there is a potential issue of whether the *Code Civil du Québec* may have application with respect to certain of the ITCAN Policies. The Liquidator understands that pursuant to the *Code Civil du Québec*, claimants against an insured (e.g., ITCAN) may have a direct recourse (or right of action) against an insurer of the insured, subject to the coverage under and terms of the policies. The Liquidator also understands that, under certain insurance statutes in the common-law provinces (including Ontario), claimants against an insured have a contingent right of action against the insurer, subject to the equities, if a judgment against the insured is unenforceable.

87. The Liquidator does not acknowledge (and in fact would deny) that any such potential 'derivative' claims would be valid, and/or that anyone has status to assert such claims. However if the purposes and rationale of the settlement are to be achieved, and given the scope of such potential 'derivative' claims in respect of the ITCAN Policies, certainty is required as to the settlement or discharge of potential 'derivative' claims.
88. The Liquidator therefore requires as a condition of settlement confirmation that the settlement also constitutes a discharge and release of any such potential 'derivative' claims including claims of the named plaintiffs, plaintiff class members and plaintiff governments in the ITCAN Actions, governments that have not as of this point brought an action in the nature of the healthcare costs recovery claims, and unknown potential 'derivative' claimants. The Liquidator is of the view that this is appropriate given:
- (i) the limited scope of coverage under the ITCAN Policies (including the existence of the health hazard and punitive damage exclusions in the ITCAN Policies, and/or the policies to which the ITCAN Policies follow form);
 - (ii) the fact that no plaintiff in the ITCAN Actions or other potential 'derivative' claimants have in fact asserted any such claim in the winding-up, notwithstanding extensive publication of the Call for Policy Loss Claims; and
 - (iii) the benefit to them by virtue of the contribution of the ITCAN Settlement Payment to the assets of the very party (ITCAN) they have claimed against or would potentially claim against, as the case may be.
89. Further, there are insurers other than Reliance Canada in the "stacks" of ITCAN Policies; i.e., insurers that issued policies, for the same policy years, to which the ITCAN Policies

are excess, or which are excess to, the ITCAN Policies (defined as the “Primary and Excess Carriers” in the Agreement). There are also other “stacks” of insurers for policy years for which there are no Reliance Canada policies (“Other Insurers”).

90. Although no claims have ever been asserted against Reliance Canada by any of the Primary and Excess Carriers or Other Insurers, or anyone else, and the Liquidator does not acknowledge, and would in fact deny, that any such claims would be valid and that anyone would have status to assert such claims, in order to achieve the purposes and rationale of the settlement, certainty is required as to the settlement or discharge of any claims by virtue of the ITCAN Policies.
91. The Liquidator therefore further requires, as a condition of settlement, confirmation that the settlement discharges and releases any potential claims against Reliance Canada that might be asserted by the Primary and Excess Carriers and Other Insurers, and anyone else, by virtue of the ITCAN Policies.
92. Attached as Schedule “K” is a list of the plaintiffs (and where applicable, member classes) and their counsel in the ITCAN Actions, the Primary and Excess Carriers and the Other Insurers in respect of which the confirmations referenced above are respectfully sought, along with like confirmation in respect of potential ‘derivative’ or other claims.
93. ITCAN requires as a condition of the settlement confirmation that, even though there will not be pay-out of limits on the ITCAN Policies by Reliance Canada, for the purposes of an ITCAN entity claiming against a policy excess to an ITCAN Policy with Reliance Canada, if the limits are otherwise satisfied (e.g., by ITCAN paying - i.e., self-funding-

such limits), then the limits shall be considered to have been paid for purposes of such excess policy.

D. Rationale

94. The Liquidator is of the view, given all the circumstances, that the settlement is reasonable and is in the best interests of the Reliance Canada estate. Although the Liquidator is cognizant of the limited scope of coverage under the ITCAN Policies, and of the tobacco health hazard and other exclusions, the ITCAN Policies, as noted, have significant total policy limits (\$173 million). Litigation with ITCAN of disputes over coverage, and potentially over the value of claims in respect of the coverage, may take years to resolve and would put the Reliance Canada estate to substantial expense.
95. The settlement would eliminate the risk of a protracted delay as a result of litigating with ITCAN over the ITCAN Policy Claims. (However, there still remains a risk of a protracted administration, and litigation, in respect of claims by other policyholders under their own policies, and the proposed settlement with respect to the ITCAN Policy Claims is therefore, although a necessary and significant component towards completion of the liquidation, not in itself sufficient to achieve completion of the liquidation at this time.)
96. The settlement would also eliminate the risk of impairment to reinsurance collectability in the event of ultimate losses being payable under the ITCAN Policies.
97. The ITCAN Settlement Amount is approximately 5.7% of the total policy limits of the ITCAN Policies, and falls within the "net retention" with respect to the ITCAN Policies (being the amount for which Reliance Canada is not reinsured in respect of the ITCAN Policies).

98. The ITCAN Settlement Amount will result in a reduction of the surplus, which would ultimately be payable to the U.S. Liquidator, by \$10 million (or approximately 9.5%). However, the Liquidator is of the view that there is no realistic scenario whereby the settlement will prejudice the ability to pay in full valid and allowed Policy Loss Claims made to date. Further, the U.S. Liquidator supports the settlement.

99. In sum, it is the Liquidator's view that the settlement would likely result in substantial savings to the estate. It would eliminate the inherent uncertainty in the potential litigation with ITCAN, and could contribute substantially to the potential advancement of completion of the estate, sooner than an indeterminate run-off under the scenarios described above (although as noted the settlement would not, in itself, be sufficient to accomplish this given other currently outstanding policies and claims). The Liquidator is cognizant of the ultimate interests of Reliance in respect of the surplus, and the contribution that such surplus can make to the recovery of Reliance's stakeholders, but which can only be made once all claims are resolved in the Reliance Canada estate and the liquidation completed. The Liquidator is of the view that the settlement proposed here, and the related relief, strikes an appropriate balance between the protection of the interests of Reliance Canada claimants and the goal of moving toward such completion of the liquidation.

E. Inspector Position

100. The Inspectors are supporting the relief sought by the Liquidator. The Superintendent has advised that he takes no position on this motion.

F. Recommendation

101. The Liquidator therefore respectfully recommends approval of the ITCAN Agreement and the related relief including the relief with respect to potential claims of a 'derivative' nature, and claims of the Primary and Excess Insurers, the Other Insurers or anyone else, by virtue of the ITCAN Policies.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

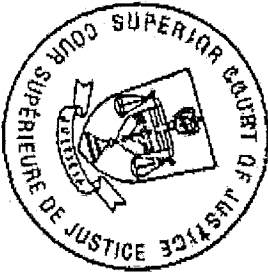
July 7, 2015

KPMG INC., the Liquidator of Reliance
Insurance Company Canadian Branch

Per: 

Nicholas Brearton
President, KPMG Inc.

A



WINDING-UP ORDER

Court File No. 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE)
MR. JUSTICE FARLEY) MONDAY THE 3RD DAY
) OF DECEMBER, 2001
)
)

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

WINDING-UP ORDER

THIS APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

ON READING the Notice of Application and the evidence filed by the parties, and on hearing submissions of counsel for the parties

1. THIS COURT ORDERS AND DECLARES that the Respondent Reliance Insurance Company is a foreign insurance company within the meaning of the *Insurance Companies Act* to which the *Winding-up and Restructuring Act* applies, and that the insurance business in Canada of the Respondent ("Reliance (Canada)") may be wound-up by this Court pursuant to Section 10.1 of the *Winding-up and Restructuring Act*.

2. THIS COURT FURTHER DECLARES that it has made no finding that Reliance (Canada) is insolvent.


3. THIS COURT ORDERS that Reliance (Canada) shall be wound-up by this Court pursuant to the *Winding-up and Restructuring Act*.

4. THIS COURT ORDERS AND DECLARES that the winding-up hereunder of Reliance (Canada) shall be deemed to commence November 8, 2001.

5. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against Reliance (Canada) or Reliance Insurance Company, except with leave of this Court and subject to such terms as this Court may impose.

6. THIS COURT ORDERS that every judgment, attachment, sequestration, distress, execution or like process put into force against Reliance (Canada) or Reliance Insurance Company, or the estate or effects thereof, after the commencement of the winding-up is void and of no effect--

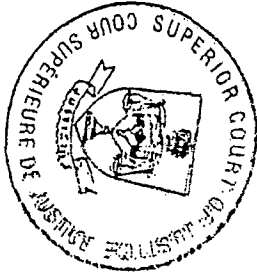
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FEB 2001



B

APPOINTMENT ORDER

Court File No. 01-CL-4313



ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE) MONDAY THE 3RD DAY
MR. JUSTICE FARLEY) OF DECEMBER, 2001
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)

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 APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

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ON READING the Notice of Application and the evidence filed by the parties, and on hearing submissions of counsel for the parties:

1. THIS COURT ORDERS that the service of the Notice of Application and the materials herein be and it is hereby good and sufficient notice thereof and that any further service of the Notice of Application and materials herein be and it is hereby dispensed with.
2. THIS COURT ORDERS that KPMG Inc. be and is hereby appointed as provisional liquidator (the "Liquidator") of the insurance business in Canada of the Respondent, including the assets in Canada of the Respondent, together with its other assets held in Canada under the control of its chief agent, including, without limitation, all amounts received or receivable in respect of its insurance business in Canada ("Reliance (Canada)").
3. THIS COURT ORDERS that the giving of security by the Liquidator upon its appointment as liquidator be dispensed with.
4. THIS COURT ORDERS that all moneys belonging to Reliance (Canada) received by or on behalf of the Liquidator and its agents shall be paid into a chartered bank to the account of the Liquidator immediately after the receipt thereof and an account or accounts shall be opened immediately, provided, however, that the Liquidator shall have the discretion to deposit funds to and use the bank accounts currently in the name of or operated by Reliance (Canada).
5. THIS COURT ORDERS that any cheques or drafts in respect of policies, issued by Reliance (Canada) prior to the making of the winding-up order herein and which are presented for payment thereafter, may be paid out of the estate and effects of Reliance (Canada).

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6. THIS COURT ORDERS that the amount recoverable from, due or owed by any reinsurer to Reliance (Canada) shall be paid to the Liquidator and shall not be reduced as a result of this Order or the winding-up order, notwithstanding any terms or contractual agreement to the contrary, and that any payment made directly by a reinsurer to an insured or other creditor or claimant of Reliance (Canada) or Reliance Insurance Company shall not diminish or reduce or affect such reinsurer's obligation to Reliance (Canada).

7. THIS COURT ORDERS that the Liquidator is authorized to cure such defaults and effect such arrangements as may be required to reinstate such reinsurance affecting the operations of Reliance (Canada), as the Liquidator deems to be in the interest and for the protection of policyholders, creditors and claimants of Reliance (Canada).

8. THIS COURT ORDERS that the Liquidator may pay all valid policyholder claims, including claims in respect of unearned premiums, to the amount of \$25,000 or the amount, if any, of the voluntary compensation payment of PACICC which may be paid under the terms of its Memorandum of Operations (the "PACICC Voluntary Compensation Payment") until April 30, 2002 or such later date as this Court may order, subject to paragraph 9 hereof, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

9. THIS COURT ORDERS that the Liquidator may pay all valid claims including claims in respect of unearned premiums under the Meridian and other warranty and surety programs to the amount of \$5,000 or the amount, if any, of the PACICC Voluntary Compensation Payment until January 31, 2002 or such later date as this Court may order, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

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10. THIS COURT ORDERS that the Liquidator may, after consultation with the Inspectors, make such other payments as the Liquidator in the Liquidator's discretion deems advisable in the circumstances in respect of policies of Reliance (Canada) and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

11. THIS COURT ORDERS that in addition to the payments referred to in paragraphs 8 and 10, until April 30, 2002 or such later date as this Court may order, the Liquidator may pay and continue to pay all reasonable legal and other costs, incurred to and including April 30, 2002, which Reliance (Canada) is obligated to pay for defending any insureds against losses under Reliance (Canada)'s policies in accordance with the applicable policy ("Defence Costs"), subject to the applicable terms and limits of such policies. For greater certainty, all payments of Defence Costs shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada) and to form part of the expenses of the liquidation as a first charge on the assets of the estate. However, if the applicable policy so provides, such payments shall be taken into account in determining the amount which would otherwise be distributed to the respective policyholders and claimants, or otherwise paid on account of Defence Costs, as the case may be, at such time as any further distributions or similar arrangements are made in respect of their policies.

12. THIS COURT ORDERS that any payments made by the Liquidator pursuant to paragraphs 5, 8, 9, 10 and 11 hereof, other than payments made pursuant to clerical errors (the "Payments"):

- (a) shall be deemed to be payments made on account of claims in the liquidation of Reliance (Canada) and shall be deducted from the amount which would otherwise

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be distributed at such time as further distributions or similar arrangements are made in respect of such claims;

- (b) shall be deemed to have been made in accordance with this Order;
- (c) in respect of any policy shall not obligate the Liquidator to make further payments in respect thereof; and
- (d) which may have exceeded the ultimate amount which the Liquidator determines is available for distribution to the respective policyholders and claimants, or available for payment of Defence Costs, as the case may be, (collectively, the "Overpayments") shall be deemed not to be preferences and shall not be repayable by the recipients or policyholders.

Neither the Liquidator nor the Liquidator's agents, advisers or employees shall be liable to any person in respect of the Overpayments.

13. THIS COURT ORDERS that PACICC, which shall designate from time to time one or more persons as its representative, and the Insurance Commissioner of the Commonwealth of Pennsylvania in her capacity as Liquidator of the Respondent or her designee are appointed inspectors (collectively the "Inspectors") to assist and advise the Liquidator in the winding-up of Reliance (Canada).

14. THIS COURT ORDERS that the Inspectors may apply to this Court on motion for directions concerning any matter relating to the liquidation of Reliance (Canada).

15. THIS COURT ORDERS that each claim in respect of which PACICC makes a PACICC Voluntary Compensation Payment (a "Compensated Claim") shall be deemed to be and

- 6 -

shall hereby be assigned in its entirety to PACICC without specific assignment or further steps required. PACICC shall be entitled to assert each Compensated Claim in the Liquidation. Reliance (Canada) is hereby deemed to have acquiesced to the assignment of Compensated Claims provided for herein and to have received a copy of the deed of assignment. PACICC and the Liquidator shall be deemed to be and shall hereby be released and forever discharged from any and all claims, actions, losses and liabilities which any person has or may have at present or in the future with respect to each Compensated Claim.

16. THIS COURT ORDERS that, notwithstanding the provisions of paragraph 15, the Liquidator may make funds in the estate available to PACICC from time to time to be used by PACICC to make PACICC Voluntary Compensation Payments pursuant to the terms and conditions of the loan and services agreement made effective as of the date hereof between the Liquidator and PACICC, which is hereby approved.

17. THIS COURT ORDERS that the Liquidator is authorised and empowered to act as administrator of insurance coverage on behalf of third parties who assume all or part of the insurance risk, and to be paid the fees earned by Reliance (Canada), pursuant to the terms of the contracts between Reliance (Canada) and such third parties.

18. THIS COURT ORDERS that the Liquidator is entitled forthwith to possession of all of Reliance (Canada)'s books, accounts, securities, documents, papers, computer programs and data, registers and records of any kind ("Books and Records") and that Reliance (Canada), its present and former shareholders, directors, officers, employees, salespeople and agents, accountants, auditors, solicitors, trustees, and every person having knowledge of this Order and having possession or control of such Books and Records, do forthwith deliver over to the Liquidator or to the Liquidator's agent all such Books and Records.

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19. THIS COURT ORDERS that all persons, including, without limitation, employees, brokers, legal counsel, insurance agents, third party administrators, or salespeople having access to or knowledge of the affairs of Reliance (Canada) do co-operate with the Liquidator in providing information or documents necessary or incidental to the liquidation of Reliance (Canada).

20. THIS COURT ORDERS that any entity which has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, master tapes or any other recorded information) relating to Reliance (Canada), shall transfer custody and control of such records in a form readable by the Liquidator to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

21. THIS COURT ORDERS that any entity furnishing claims processing or data processing services to Reliance (Canada) shall maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

22. THIS COURT ORDERS that Reliance (Canada) and its Chief Agent, officers, trustees, employees, consultants, agents, and legal counsel shall: surrender peacefully to the Liquidator the premises where Reliance (Canada) conducts its business; deliver all keys or access codes thereto and to any safe deposit boxes; advise the Liquidator of the combinations or access codes of any safe or safekeeping devices of Reliance (Canada) or any password or authorization code or access code required for access to data processing equipment; and shall deliver and surrender peacefully to the Liquidator all of the assets, books, records, files, credit cards, and other property of Reliance (Canada) in their possession or control, wherever located,

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and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

23. THIS COURT ORDERS that all persons, firms, corporations and other entities having agreements, whether written or oral, with Reliance (Canada) for the supply of goods or services, be and they are hereby enjoined from terminating, accelerating, suspending, modifying, determining or cancelling such agreements without the written consent of the Liquidator or leave of this Court, and that all such parties shall continue to comply with their obligations under such agreements or otherwise on terms currently provided so long as the Liquidator pays the normal prices or charges for such goods or services incurred after the date of this Order in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

24. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with the occupation, possession or use by the Liquidator of any premises occupied or leased by Reliance (Canada) as at November 8, 2001 except upon further Order of this Court. From November 8, 2001 and for the period of time that the Liquidator occupies any leased premises, the Liquidator shall pay occupation rent to each lessor based upon the regular monthly base rent that was previously paid by Reliance (Canada) in respect of the premises so occupied or as may hereafter be negotiated by the Liquidator from time to time.

25. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with computer software, hardware, support and data services or with utility services, including, but not limited to, the furnishing of oil, gas, heat, electricity, water, telephone service (including at present telephone numbers used by Reliance (Canada)) or any other utilities of like kind furnished to Reliance (Canada) and they

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are hereby enjoined from discontinuing or altering any such utilities or services to the Liquidator except upon further order of this Court, so long as the Liquidator pays the normal prices or charges for such goods and services incurred after November 8, 2001 as the same become due in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

26. THIS COURT ORDERS that, without limiting the generality of the foregoing, and except upon further order of this Court having been obtained on at least 7 days' notice to the Liquidator:

- (a) all persons, firms, corporations and other entities be and they are hereby restrained from terminating, cancelling or otherwise withdrawing any licences, permits, approvals or consents with respect to or in connection with Reliance (Canada) as they were on November 8, 2001;
- (b) any and all proceedings or steps taken or that may be taken, wheresoever taken, by any person, firm, corporation or entity, including, without limitation, any of the policyholders or creditors of Reliance (Canada), suppliers, co-insurers, reinsurers, contracting parties, depositors, lessors, tenants, co-venturers or partners (hereinafter, in this paragraph "Claimants") against or in respect of Reliance (Canada) shall be and hereby are stayed and suspended;
- (c) the right of any Claimant to make demands for payment on or in respect of any guarantee or similar obligation or to make demand or draw down under any letters of credit, bonds or instruments of similar effect, issued by or on behalf of Reliance (Canada), to take possession of, to foreclose upon or to otherwise deal

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with any property, wheresoever located, of Reliance (Canada) whether held directly or indirectly, as principal or nominee, beneficially or otherwise, or to continue any actions or proceedings in respect of the foregoing, is hereby restrained;

(d) the right of any Claimant to assert, enforce or exercise any right (including, without limitation, any right of dilution, buy-out, divestiture, forced sale, acceleration, termination, suspension, modification or cancellation or right to revoke any qualification or registration), option or remedy available to it including a right, option or remedy arising under or in respect of any agreement (including, without limitation, any contract, debt instrument, guarantee, option, co-ownership agreement or any agreement of purchase of sale but not including any eligible financial contract, as defined in the *Winding-up and Restructuring Act*) to which Reliance (Canada) is a party, arising out of, relating to or triggered by the occurrence of any default or non-performance by Reliance (Canada) or the making or filing of these proceedings, or any allegation contained in these proceedings, is hereby restrained; and

(e) all Claimants are restrained from exercising any extra judicial remedies against Reliance (Canada), including, without limitation, the registration or re-registration of any securities owned by Reliance (Canada) into the name of such persons, firms, corporations or entities or their nominees, the exercise of any voting rights attaching to such securities, the retention of any payments or other distributions made in respect of such securities, any right of distress, repossession, or consolidation of accounts in relation to amounts due or accruing due in respect of

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or arising from any indebtedness or obligation of Reliance (Canada) as of the date hereof.

27. THIS COURT ORDERS that no action lies against the Liquidator, any of its affiliates (the "Affiliates") any director, officer, agent, representative or employee of the Liquidator or of the Affiliates, any entity or person (or director, officer, agent, representative or employee of any such entity or person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, for anything done or omitted to be done in good faith in the administration of the liquidation of Reliance (Canada) or in the exercise of the Liquidator's powers under this Order or otherwise.

28. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against the Liquidator, the Affiliates, any director, officer, agent, representative or employee of the Liquidator, or of the Affiliates, any entity or person (or director, officer agent, representative or employee of any such person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, except with leave of this Court and subject to such terms as this Court may impose.

29. THIS COURT ORDERS that the Liquidator may, without the approval, sanction or intervention of this Court and without previous notice to the policyholders or creditors of Reliance (Canada) or any other person,

- (a) take control of the estate and effects of Reliance (Canada) or such part thereof as the Liquidator shall determine;

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- (b) bring or defend any action, suit or prosecution or other legal proceeding, civil or criminal, in the Liquidator's own name as liquidator or in the name or on behalf of Reliance (Canada), as the case may be;
- (c) carry on the business of Reliance (Canada) so far as it is necessary or incidental to the winding-up of Reliance (Canada);
- (d) lease or mortgage or otherwise realize upon the undertaking, property and assets of Reliance (Canada) or any part or parts thereof;
- (e) sell the real and personal property, effects, intangibles and choses in action of Reliance (Canada), including all or any portion of Reliance (Canada)'s contracts and products and related assets, including, without limitation, Reliance (Canada)'s lists of policyholders and customers, by public auction or private contract, and transfer the whole thereof to any person or company, or sell them in parcels;
- (f) do all acts and execute, in the name of and on behalf of Reliance (Canada), all deeds, receipts, and other documents, and for that purpose use, when necessary, the seal of Reliance (Canada), and file any elections (tax or otherwise), objections or registrations, and file any notices, all as may be necessary or desirable in the opinion of the Liquidator for the better liquidation of Reliance (Canada);
- (g) prove, rank, claim and draw dividends in the matter of the bankruptcy, insolvency or sequestration of any contributory, for any sum due to Reliance (Canada) from the contributory, and take and receive dividends in respect of the bankruptcy, insolvency or sequestration, as a separate debt due from that contributory and rateably with the other separate creditors;

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- (h) draw, accept, make and endorse any bill of exchange or promissory note in the name of and on behalf of Reliance (Canada);
- (i) give discharges of mortgages and other securities, partial discharges of mortgages and other securities, and pay property taxes and insurance premiums on mortgages and other securities taken in favour of Reliance (Canada);
- (j) pay such debts of Reliance (Canada) as may be necessary to be paid in order to properly preserve and maintain the undertaking, property and assets of Reliance (Canada) or to carry on the business of Reliance (Canada);
- (k) surrender possession of any premises occupied by Reliance (Canada) and disclaim any leases entered into by Reliance (Canada);
- (l) apply for any permits, licences, approvals or permissions as may be required by any governmental or regulatory authority;
- (m) re-direct Reliance (Canada)'s mail;
- (n) enter into any eligible financial contracts, as defined in the *Winding-up and Restructuring Act*;
- (o) take possession and control of all securities in which Reliance (Canada) has an interest (directly or indirectly) and exercise all rights that may be enjoyed by a holder of such securities including, without limitation, rights (i) that may arise by virtue of the holder being a party to a shareholder or similar agreement that may, by way of example, restrict the powers of the directors to manage or supervise the management of the business and affairs of the corporation, (ii) to receive

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information, (iii) to attend at and cause to be held meetings of holders of such securities, (iv) to vote such securities for the removal or election of directors and approval of significant transactions (such as the sale or disposition of all or substantially all of the assets of such company or the winding-up, liquidation, rehabilitation, bankruptcy, receivership, restructuring or amalgamation of such company), and (v) to sell or otherwise dispose of such securities;

- (p) compromise all calls and liabilities to calls, debts and liabilities capable of resulting in debts, and all claims, demands and matters in dispute in any way relating to or affecting the assets of Reliance (Canada) or the winding-up of Reliance (Canada), on the receipt of such sums, payable at such times, and generally on such terms as are agreed on by the Liquidator;
- (q) make such compromise or other arrangements with creditors or persons claiming to be creditors of Reliance (Canada) as the Liquidator deems expedient; and
- (r) do and execute all such other things as are necessary for, or incidental to the winding-up of the affairs of Reliance (Canada), including without limitation entering into agreements incurring obligations.

30. THIS COURT FURTHER ORDERS that the Liquidator may, with the approval of this Court and on such notice as the Court may direct:

- (a) arrange for the transfer or reinsurance of all or a portion of the policies of Reliance (Canada); and
- (b) cancel all or a portion of the outstanding policies of Reliance (Canada).

31. THIS COURT ORDERS that the Liquidator and any of the Liquidator's agents, officers, directors, representatives or employees shall be deemed not to be an employer or a successor employer of the employees of Reliance (Canada) within the meaning of the *Pension Benefits Act* (Ontario), *Employment Standards Act* (Ontario), the *Labour Relations Act* (Ontario) or any other Federal, Provincial or Municipal legislation governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever and, further, that the Liquidator and any of the Liquidator's agents, directors, officers, representatives or employees shall not be and shall be deemed not to be, in possession, charge or control of the property or business or affairs of Reliance (Canada) pursuant to any Federal, Provincial or Municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status including, without limitation, the *Environmental Protection Act* (Ontario), the *Canadian Environmental Protection Act*, or the *Ontario Water Resources Act*, and this shall be binding on all tribunals and administrative bodies.

32. THIS COURT ORDERS that the Liquidator may retain, employ or engage such actuaries, accountants, financial advisors, investment dealers, solicitors, attorneys, valuers or other expert or professional persons as the Liquidator deems necessary or desirable to assist the Liquidator in fulfilling the Liquidator's duties, and all reasonable and proper expenses which the Liquidator may incur in so doing shall be costs of liquidation of Reliance (Canada).

33. THIS COURT ORDERS that the Liquidator may act on the advice or information obtained from any actuary, accountant, financial advisor, investment dealer, solicitor, attorney, valuer or other expert or professional person, and the Liquidator shall not be responsible for any loss, depreciation or damage occasioned by acting in good faith in reliance thereon.

34. THIS COURT ORDERS that the Liquidator shall be paid such remuneration as the Court Orders.

35. THIS COURT ORDERS that the Liquidator shall be at liberty to apply reasonable amounts against its remuneration, expenses and disbursements on a monthly basis and that such amounts shall constitute advances against its remuneration and expenses on, but subject to, the passing of its accounts.

36. THIS COURT ORDERS that this Order and any other orders in these proceedings shall have full force and effect in all Provinces and Territories in Canada.

37. THIS COURT SEEKS AND REQUESTS the aid and recognition of any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or administrative body and any Federal or State Court or administrative body in the United States of America and any Court or administrative body in the United Kingdom or elsewhere to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

38. THIS COURT ORDERS that the costs of this application, including the costs of the Inspectors, are to be assessed on a solicitor and his own client basis and shall be costs of liquidation of Reliance (Canada).

39. THIS COURT ORDERS that interested parties may apply to the Court for advice and directions on 7 days' notice to the Liquidator and the Inspectors, and that the Liquidator may at any time apply to this Court for advice and directions.

DEC 03 2001
PER/PAR: [Signature]

Viktoria Seukh
REGISTRAR

THE ATTORNEY GENERAL OF CANADA and RELIANCE INSURANCE COMPANY
Applicant *Respondent*

Court File No: 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

LAX O'SULLIVAN SCOTT LLP
Suite 1920
145 King Street West
Toronto, Ontario M5H 1J8

Charles F. Scott LSUC# 14534N
Brooke Shulman LSUC # 41032N
Tel: (416) 646-7997
Fax: (416) 598-3730

Solicitors for the Applicant

C

SCHEDULE "C"

LIST OF COURT ORDERS PREVIOUSLY APPROVED BY COURT

Date of Order	Judge	Description of Order
December 3, 2001	Justice Farley	Order approving the Winding-Up of Reliance Canada
December 3, 2001	Justice Farley	Order approving the appointment of KPMG Inc. as Liquidator of Reliance Canada. As well as authorizing the payment of all valid policyholder claims, including in respect to unearned premiums, to the amount of \$25,000 or the amount if any of the voluntary compensation payment of PACICC (which was \$250,000). Payment of valid claims including claims of unearned premiums under the Meridian and other warranty and surety programs to the amount of \$5,000. Payment of all reasonable legal and other costs incurred to January 31, 2002.
January 30, 2002	Justice Farley	Order extending the Appointment Order from January 31, 2002 to April 30, 2002.
April 29, 2002	Justice Farley	Order extending the Appointment Order from April 30, 2002 to May 6, 2002.
May 8, 2002	Justice Farley	Order extending the Appointment Order from May 6, 2002 to December 31, 2002.
December 06, 2002	Justice Farley	Order extending the Appointment Order from December 31, 2002 to March 31, 2003.
March 26, 2003	Justice Farley	Order extending the Appointment Order from March 31, 2003 to June 30, 2003.
June 2, 2003	Justice Farley	Order appointing independent claims administrators for two separate loss claims.
June 26, 2003	Justice Farley	Extension of the Appointment Order from June 30, 2003 to December 31, 2003 and approving and authorizing a first interim payment to policyholders and claimants of 25% on their valid and allowed policyholder loss claims.

Date of Order	Judge	Description of Order
December 18, 2003	Justice Farley	Order approving the accounts and activities of the Liquidator for the periods from December 3, 2001 to December 31, 2002 and January 1, 2003 to September 30, 2003, including the fees of the Liquidator's counsel from the commencement of the liquidation to September 30, 2003. As well as authorizing the Liquidator to pay claims settled in foreign currencies, in Canadian currency at the noon spot rate on November 8, 2001. Extension of distribution payments from December 31, 2003 to June 30, 2004.
June 30, 2004	Justice Farley	Order amending the December 18, 2003 Order, authorizing the Liquidator to pay claims payable in foreign currencies either in the foreign currency or in Canadian currency at the noon spot rate of November 8, 2001.
September 2, 2004	Justice Farley	Order approving the accounts and activities of the Liquidator for the period from October 1, 2003 to June 30, 2004, including the fees of the Liquidator's counsel. Approving and authorizing a second interim distribution to policyholders and claimants in the amount of 25% on their valid and allowed loss claims for a cumulative distribution rate of 50%. As well as authorizing payments of up to \$25,000 on valid claims under the Meridian Warranty Program.
November 22, 2004	Justice Farley	Order approving the purchase by Reliance Canada of units of four mutual funds managed by RBC Asset Management.
December 21, 2005	Justice Farley	Order approving the accounts and activities of the Liquidator for the period from July 1, 2004 to September 30, 2005, including the fees of the Liquidator's counsel. Approving and authorizing a third interim distribution to policyholders and claimants in the amount of 15% on their valid and allowed loss claims for a cumulative distribution rate of 65%.
December 15, 2006	Justice Cumming	Order approving the accounts and activities of the Liquidator for the period from October 1, 2005 to September 30, 2006, including the fees of the Liquidator's counsel. Approving and authorizing a fourth interim distribution to policyholders and claimants in the amount of 15% on their valid and allowed loss claims for a cumulative distribution rate of 80%.

Date of Order	Judge	Description of Order
October 5, 2007	Justice Pepall	Order dismissing an action by reinsurers with respect to set-off issues.
April 8, 2008	Justice Morawetz	Order approving the accounts and activities of the Liquidator for the period from October 1, 2006 to December 31, 2007, including the fees of the Liquidator's counsel. Approving and authorizing a fifth interim distribution to policyholders and claimants in the amount of 20% on their valid and allowed loss claims for a cumulative distribution rate of 100%.
June 24, 2008	Justice Campbell	Order authorizing a Call for Ordinary Creditor Claims.
December 17, 2008	Justice Campbell	Order authorizing the Liquidator to pay a distribution in the amount of 100% of valid and allowed ordinary creditor claims up to a cumulative total amount of \$100,000 and authorizing a payment to PACICC as remuneration for PACCIC's inspectorship.
January 29, 2009	Justice Campbell	Liquidator seeking the Court's advice and directions by way of the Post-Liquidation Motion.
December 16, 2009	Justice Cumming	Order approving the accounts and activities of the Liquidator for the period from January 1, 2008 to September 30, 2009 including the fees of the Liquidator's counsel, as well as the approval and authorization of the payment of Post-Liquidation Interest.
August 3, 2010	Justice Lederman	Order directing the terms of a Call for Policy Loss Claims.
June 29, 2011	Justice Campbell	Order approving the accounts and activities of the Liquidator for the period from October 1, 2009 to March 31, 2011, including the fees of the Liquidator's counsel.
December 15, 2011	Justice Campbell	Order authorizing Reliance Canada to purchase units of two additional mutual funds managed by RBC Asset Management.
March 2, 2012	Justice Morawetz	Order approving the Notice of Disallowance Process
June 25, 2014	Justice Morawetz	Order approving the accounts and activities of the Liquidator for the period from April 1, 2011 to March 31, 2014, including the fees of the Liquidator's counsel.

D

GENERAL ENGLISH PUBLICATION IN THE NATIONAL EDITION OF
THE GLOBE AND MAIL NEWSPAPER AND IN *THE TORONTO STAR*

IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN
CANADA OF RELIANCE INSURANCE COMPANY- CANADIAN BRANCH ("Reliance
Canada")

IMPORTANT NOTICE TO POLICYHOLDERS, INSUREDS AND CLAIMANTS WITH
POLICY LOSS CLAIMS

On December 3, 2001, the Ontario Superior Court of Justice (the "Court") ordered the winding-up of Reliance Canada, under the provisions of the *Winding-up and Restructuring Act*, and appointed KPMG Inc. as liquidator (the "Liquidator").

The Liquidator of Reliance Canada hereby gives notice that the Court has fixed **December 17, 2010** as the last day for policyholders, insureds or claimants with Policy Loss claims to submit to the Liquidator their claims for loss under or arising out of a Reliance Canada policy. If you have any claims for loss under or arising out of a policy of Reliance Canada (including any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claims), you must complete a Proof of Claim for Policy Loss Claim ("POC") and submit it to the Liquidator in accordance with the procedure set by the Court by Order made August 3, 2010.

Please note that neither this Notice nor an Acknowledgment of Filing means or implies that any claim filed is payable as a claim under a policy or in the winding-up of Reliance Canada, or that it bears any particular priority if it is payable.

For further information or for a POC package, please contact KPMG Inc. as set out below, or visit www.relianceinsurance.ca.

This Notice is being given pursuant to the Order of the Court made August 3, 2010.

KPMG Inc. Liquidator,
Reliance Insurance Company – Canadian
Branch, in Liquidation
Bay Adelaide Centre
333 Bay Street
Suite 4600
Toronto, ON M5H 2S5

General Inquiry Line: (416) 777-8333
Email Inquiry: reliance@kpmg.ca

E

GENERAL FRENCH PUBLICATION IN *LA PRESSE***EN L'AFFAIRE DE LA LIQUIDATION DU SECTEUR CANADIEN DES ASSURANCES
DE RELIANCE INSURANCE COMPANY – FILIALE CANADIENNE
(« Reliance Canada »)****AVIS IMPORTANT À L'INTENTION DES TITULAIRES DE POLICE, DES ASSURÉS
ET DES DEMANDEURS AYANT PRÉSENTÉ DES RÉCLAMATIONS D'ASSURANCE**

Le 3 décembre 2001, la Cour supérieure de justice de l'Ontario (la « Cour ») a ordonné la liquidation de Reliance Canada, en vertu des dispositions de la *Loi sur les liquidations et les restructurations*, et a nommé KPMG Inc. à titre de liquidateur (le « liquidateur »).

Le liquidateur de Reliance Canada informe par la présente les titulaires de police, les assurés et les demandeurs ayant présenté des réclamations d'assurance que la Cour a fixé au **17 décembre 2010** la date limite à laquelle ils devront soumettre au liquidateur leurs demandes d'indemnisation relatives à la police de Reliance Canada. Si vous avez de telles demandes d'indemnisation (y compris toute demande existante, nouvelle, à venir ou éventuelle, connue ou inconnue, signalée ou non signalée, d'une somme déterminée ou indéterminée), vous devez remplir une preuve de réclamation pour réclamation d'assurance et la soumettre au liquidateur selon la procédure établie par ordre de la Cour le 3 août 2010.

Veillez prendre note que ni le présent avis ni l'accusé de réception ne signifient que la demande déposée soit payable en tant que réclamation d'assurance ou dans le cadre de la liquidation de Reliance Canada ni, si elle est payable, qu'elle fasse l'objet d'une priorité particulière.

Pour obtenir de plus amples renseignements ou pour obtenir les documents relatifs à la preuve de réclamation, veuillez communiquer avec KPMG Inc., à l'aide des coordonnées fournies ci-dessous, ou visiter le site www.relianceinsurance.ca.

Le présent avis est publié par suite d'une ordonnance rendue par la Cour le 3 août 2010.

KPMG Inc.
Liquidateur
Reliance Insurance Company – filiale
canadienne, en liquidation
Bay Adelaide Centre
333, rue Bay, bureau 4600
Toronto (Ontario) M5H 2S5

Renseignements généraux : 416-777-8333
Courriel : reliance@kpmg.ca

F

SCHEDULE "F"

FAMILY PUBLICATION IN THE *VANCOUVER SUN* AND ONE PUBLICATION IN
THE BRITISH COLUMBIA GAZETTE

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IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN
CANADA OF RELIANCE INSURANCE COMPANY- CANADIAN BRANCH ("Reliance
Canada") AND IN CONNECTION WITH FAMILY UNDERWRITING MANAGEMENT
LIMITED

IMPORTANT NOTICE TO POLICYHOLDERS, INSUREDS AND CLAIMANTS WITH
POLICY LOSS CLAIMS

On December 3, 2001, the Ontario Superior Court of Justice (the "Court") ordered the winding-up of Reliance Canada, under the provisions of the *Winding-up and Restructuring Act*, and appointed KPMG Inc. as liquidator (the "Liquidator").

For the period from May 1, 1998 to August 31, 1999 (the "Period"), Reliance Canada wrote residential insurance protection and excess automobile insurance in the province of British Columbia through a managing general agency known as Family Underwriting Management Limited ("FUML").

The Liquidator of Reliance Canada hereby gives notice that the Court has fixed **December 17, 2010** as the last day for policyholders, insureds or claimants with Policy Loss Claims to send in their claims for loss under or arising out of a Reliance Canada policy (including a policy written through FUML). If you have any claims for loss under or arising out of a policy of Reliance Canada (including any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claims), you must complete a Proof of Claim for Policy Loss Claim ("POC") and submit it to the Liquidator in accordance with the procedure set by the Court by Order made August 3, 2010.

Please note that neither this Notice nor an Acknowledgment of Filing means or implies that any claim filed is payable as a claim under a policy or in the winding-up of Reliance Canada, or that it bears any particular priority if it is payable.

For further information or for a POC package, please contact KPMG Inc. in writing as set out below, or visit www.relianceinsurance.ca.

This Notice is being given pursuant to the Order of the Court made August 3, 2010.

KPMG Inc. Liquidator,
Reliance Insurance Company – Canadian Branch, in
Liquidation
Bay Adelaide Centre
333 Bay Street
Suite 4600
Toronto, ON M5H 2S5

General Inquiry Line: (416) 777-8333
Email Inquiry: reliance@kpmg.ca

G

**UNAUDITED FINANCIAL STATEMENTS OF RELIANCE INSURANCE COMPANY
CANADIAN BRANCH (IN LIQUIDATION)**

Unaudited Financial Statements of

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

In our capacity as Liquidator, we have prepared the Balance Sheet of Reliance Insurance Company, Canadian Branch (in liquidation) as at March 31, 2015, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2006, September 30, 2005, June 30, 2004, September 30, 2003 and December 3, 2001, the Statement of Earnings and Changes in Surplus for the twelve months ended March 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, fifteen months ended September 30, 2005, nine months ended June 30, 2004, and twenty-two months ended September 30, 2003, and the Statement of Cash Flows for the thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, fifteen months ended September 30, 2005, nine months ended June 30, 2004, and twenty-two months ended September 30, 2003 in our capacity as liquidator. These financial statements have not been audited or reviewed.

In view of the uncertainties surrounding a branch in liquidation, the ultimate realization of the assets and liabilities will differ from the recorded amounts and the differences may be material (see notes).

Readers are cautioned that these statements may not be appropriate for their purposes.

KPMG Inc., Liquidator.
Reliance Insurance Company, Canadian Branch

June 1, 2015

(Unaudited - See Cover Page)

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)
Balance Sheet

 As at March 31, 2016, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2006, September 30, 2005, June 30, 2004, September 30, 2003 and December 31, 2001
 (\$000)

(Unaudited - see cover page)	March 31, 2016	March 31, 2014	March 31, 2011	September 30, 2009	December 31, 2007	September 30, 2006	September 30, 2005	June 30, 2004	September 30, 2003	December 31, 2001
Assets										
Cash and short term investments (note 4)	\$ 711	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 155,078	\$ 156,277	\$ 56,165
Investments (note 4) (market value: Mar/15 - \$117,295; Mar/14 - \$117,180; Mar/11 - \$129,003; Sept/09 - \$139,111; Dec/07 - \$138,832; Sep/06 - \$148,089; Sep/05 - \$140,919; Jun/04 - \$0; Sep/03 - \$0; Dec/01 - \$114,392)	114,299	115,296	127,167	138,062	138,240	147,761	141,308	-	-	108,949
Receivable from other insurers/reinsurers	319	662	4,337	5,054	9,649	11,985	28,863	27,576	13,908	6,090
Income and premium taxes recoverable	-	-	-	-	-	-	-	-	3,070	3,446
Receivable from Reliance US (note 7)	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,181	-
Receivable from Reliance US - current balance due (note 7)	-	-	-	35	-	159	222	870	-	-
Other receivables	129	129	337	386	348	361	621	600	958	1,978
Reinsurers' share of provision for										
Unpaid claims	3,074	2,615	10,326	22,730	22,942	34,928	42,172	71,704	51,761	57,536
Unearned premiums	-	-	-	-	-	306	2,564	4,847	5,430	9,670
Estimate for deductibles on unpaid claims	-	-	-	-	-	-	78	106	1,444	2,527
Total assets	\$ 123,380	\$ 124,579	\$ 148,231	\$ 169,086	\$ 178,721	\$ 201,429	\$ 219,592	\$ 265,629	\$ 237,029	\$ 246,361
Liabilities and Surplus										
Policy liabilities:										
Unpaid claims (note 5)	\$ 11,546	\$ 13,279	\$ 45,390	\$ 64,681	\$ 63,905	\$ 92,190	\$ 111,980	\$ 171,544	\$ 145,815	\$ 135,088
Unearned premiums (note 6)	-	-	-	-	-	421	3,989	8,216	9,177	15,189
Allowed claims (note 8)	-	-	-	-	12,802	20,340	24,163	33,106	17,289	-
Interest distribution (note 12)	-	-	-	5,200	-	-	-	-	-	-
Other liabilities	14	67	290	608	857	605	567	841	2,158	1,917
Total policy liabilities	11,560	13,346	45,680	70,469	77,564	113,556	140,699	213,707	174,419	152,194
Payables:										
Due to Reliance US (note 7)	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	-
Due to other insurers/reinsurers	802	1,051	849	1,101	539	578	280	142	189	192
Brokers	-	-	-	6	2,388	2,573	2,656	2,916	2,924	3,389
Taxes and other creditors	851	751	1,208	954	1,150	1,096	1,034	1,031	1,653	1,826
Reinsurance deposits	-	10	10	10	10	10	10	10	10	3,494
Total liabilities	16,061	20,006	52,595	77,388	86,499	122,659	149,507	222,654	184,043	161,095
Surplus (note 9)	105,319	104,573	95,636	91,698	92,222	78,770	70,085	42,975	52,986	85,266
Contingent liabilities (note 13)										
Total liabilities and surplus	\$ 123,380	\$ 124,579	\$ 148,231	\$ 169,086	\$ 178,721	\$ 201,429	\$ 219,592	\$ 265,629	\$ 237,029	\$ 246,361

The accompanying notes are an integral part of the financial statements

(Unaudited - See Cover Page)

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Statements of Earnings and Changes in Surplus

For the twelve months ended March 31, 2015, thirty-six months ended March 31, 2011, the twenty-one months ended September 30, 2009, the fifteen months ended December 31, 2007, the twelve months ended September 2006, the fifteen months ended September 30, 2005, nine months ended June 30, 2004, and twenty-two months ended September 30, 2003 (\$'000)

(Unaudited - see cover page)	April 1, 2014 to March 31, 2015	April 1, 2011 to March 31, 2014	October 1, 2009 to March 31, 2011	January 1, 2008 to September 30, 2009	October 1, 2008 to December 31, 2007	October 1, 2005 to September 30, 2006	July 1, 2004 to September 30, 2005	October 1, 2003 to June 30, 2004	December 31, 2001 to September 30, 2003
Revenue									
Gross premiums written	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5)	\$ (8)	\$ (12)	\$ (508)
Less: reinsurance ceded	-	-	-	1,113	-	938	323	(9)	(509)
Net written premiums	-	-	-	(1,113)	-	(943)	(331)	(3)	1
Net premiums earned	-	-	-	(1,113)	118	386	1,813	375	1,772
Expenses									
Claims incurred	418	(2,205)	(4,683)	4,534	(12,514)	(8,722)	(19,974)	12,539	42,317
Post liquidation interest	0	-	506	5,200	-	-	-	-	-
Commissions and premium taxes	0	-	-	-	(10)	20	49	21	5,115
General expenses (note 10)	1,696	1,417	4,309	1,264	4,983	2,022	2,789	1,212	6,856
Foreign exchange (net claims)	(355)	471	182	(951)	1,054	2,806	(3,466)	(656)	(62)
Brokers payables writeoff	0	-	-	(2,712)	-	-	-	-	-
	1,759	(317)	314	7,335	(6,507)	(3,874)	(20,602)	13,116	54,028
Investment income									
Interest on cash and short term investments	0	6	-	125	120	80	1,991	2,807	5,188
Write-down of investments (note 4)	0	-	-	-	(444)	(1,658)	-	-	-
Interest on investments	3,097	10,031	4,855	8,730	8,363	8,219	3,031	-	7,752
Investment expenses	(199)	(588)	(272)	(293)	(220)	(187)	(123)	(36)	(74)
Realized gain (loss) on disposal of investments	5	1	54	65	(246)	-	-	-	7,245
	2,903	9,450	4,637	8,627	7,573	4,454	4,899	2,771	20,111
Income (loss) before capital taxes	1,144	9,767	4,323	179	14,196	8,694	27,114	(9,970)	(32,143)
Capital and other taxes	396	830	385	703	744	9	4	41	137
Net income (loss)	746	8,937	3,938	(524)	13,452	6,685	27,110	(10,011)	(32,280)
Surplus beginning of period	104,573	95,636	91,698	92,222	78,770	70,085	42,975	52,986	85,266
Surplus end of period	\$ 105,319	\$ 104,573	\$ 95,636	\$ 91,698	\$ 92,222	\$ 78,770	\$ 70,085	\$ 42,975	\$ 52,986

The accompanying notes are an integral part of the financial statements

(Unaudited - See Cover Note)

RELIANCE INSURANCE COMPANY
Canadian Branch (In liquidation)
Statement of Cash Flows

 For the twelve months ended March 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, the twenty-one months ended September 30, 2009, the fifteen months ended December 31, 2007, the twelve months ended September 30, 2005, the fifteen months ended September 30, 2005, nine months ended June 30, 2004, and twenty-two months ended September 30, 2003

 (\$000)

(Unaudited - see cover page)	April 30, 2014 to March 31, 2015	April 30, 2011 to March 31, 2014	October 1, 2009 to March 31, 2011	January 1, 2009 to September 30, 2009	October 1, 2006 to December 31, 2007	October 1, 2005 to September 30, 2006	July 1, 2004 to September 30, 2005	October 1, 2003 to June 30, 2004	December 31, 2001 to September 30, 2003
Operating activities									
Premiums received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (17)	\$ 1	\$ (82)
Reinsurance collected	494	9,883	14,560	14,388	18,957	25,090	32,692	6,183	8,601
Salvage, subrogation & deductibles received	116	508	1,481	108	578	355	1,545	578	2,332
Reduction in other receivables	-	284	212	316	(12)	42	31	481	697
Total sources	610	10,835	16,253	14,872	17,523	25,487	34,251	7,223	11,548
Gross claims paid	1,307	23,951	14,239	23,607	22,759	15,146	48,058	8,683	23,073
Claim expenses paid	311	3,366	2,628	2,218	2,623	2,681	3,406	3,136	6,393
Post liquidation interest on claims paid	-	-	5,706	-	-	-	-	-	-
Assumed Payable	1,349	465	282	130	-	-	-	-	-
Uncashed claim/expense cheques	-	-	-	-	-	-	-	-	(96)
Reinsurance premiums paid	-	-	-	-	-	41	23	(14)	(108)
Agents balance payable	-	-	6	-	-	-	-	-	-
General expenses	-	-	-	-	-	-	-	-	-
Salaries	213	1,555	892	1,200	839	748	943	1,364	3,109
Office expenses	130	473	486	678	311	228	351	369	641
Legal/professional	58	58	57	70	170	135	308	138	273
Head office services	109	441	221	297	217	172	244	210	485
Sale of business expense	-	-	-	-	-	-	-	-	770
Liquidation expenses	-	-	-	-	-	-	-	-	-
KPMG Inc.	696	1,062	690	762	771	339	1,013	818	3,121
Goodmans LLP	849	242	224	749	664	182	497	266	885
Legal - Post Liquidation interest	-	-	-	144	-	-	-	-	-
Legal - Reinsurance collections	-	-	12	(21)	509	-	-	-	-
Call for claims expenses	-	-	177	-	0	-	-	-	-
PACICC expenses	-	-	-	129	-	-	-	-	-
Foreign exchange (gain)/loss	(14)	(758)	2,505	(1,605)	2,943	845	624	(81)	56
Income & premium taxes (incl interest paid/rec'd)	375	820	234	951	352	6	(13)	(3,405)	(22)
Foreign exchange (gain)/loss(net claims)	(355)	471	182	(950)	1,054	2,806	(3,425)	(273)	(62)
Total uses	4,828	32,148	28,541	28,359	33,212	23,309	52,025	11,191	40,498
Net cash provided by (used) in operating activities	(4,218)	(21,511)	(12,288)	(13,487)	(15,889)	2,178	(17,774)	(3,968)	(28,950)
Investing activities									
Sale (purchase) of investments	1,002	11,673	8,949	2,243	8,976	(8,111)	(141,306)	-	113,225
Investment expenses	(199)	(585)	(271)	(334)	(179)	(179)	(95)	(36)	(74)
Interest received	3,097	10,036	4,855	8,888	8,471	6,296	5,349	2,895	15,812
Investment income	-	-	-	(11)	12	-	(334)	(90)	99
Cash provided by (used in) investing activities	3,900	21,324	13,533	10,764	17,282	(1,993)	(138,388)	2,769	129,062
Increase in cash and short term investments	(318)	(187)	1,245	(2,723)	1,593	185	(154,162)	(1,199)	100,112
Cash and short term investments, at beginning of period	1,029	1,216	(29)	2,694	1,101	916	155,078	158,277	58,165
Cash and short term investments, at end of period	\$ 711	\$ 1,029	\$ 1,218	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 155,078	\$ 158,277
Cash consists of:									
Cash	\$ 711	\$ 1,029	\$ 341	\$ (29)	\$ 1,053	\$ 1,101	\$ 918	\$ 2,856	\$ 420
Short term investments (note 4)	-	-	875	-	1,841	-	-	152,222	155,857
	\$ 711	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 155,078	\$ 158,277

The accompanying notes are an integral part of the financial statements

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

1. **Nature of the business:**

The Canadian Branch of Reliance Insurance Company, which was primarily engaged in the writing of commercial property and liability insurance in Canada, commenced a voluntary wind down of its operations in Canada effective August 2000. In May 2001, Reliance Insurance Company's U.S. operations ("**Reliance US**") were placed under an order of rehabilitation. On October 3, 2001, Reliance US was put into liquidation and declared insolvent by the Court of Pennsylvania.

On December 3, 2001, the Ontario Superior Court of Justice (the "**Court**"), on the application of the Attorney General of Canada, granted an order appointing KPMG Inc. as provisional liquidator (the "**Liquidator**") of the insurance business in Canada of Reliance Insurance Company, including the assets in Canada of Reliance Insurance Company, together with its other assets held in Canada under the control of its chief agent ("**Reliance Canada**"). By further order of the same date, the Court ordered that Reliance Canada be wound up.

Since August 2000, existing insurance policies in force have been allowed to expire and Reliance Canada has neither renewed nor cancelled existing policies, nor has it written any new business. As of March 31, 2007, there were no policies in force.

The Court has approved several interim distributions on policy loss claims which have been settled and admitted by the Liquidator ("**Allowed Policy Loss Claims**"). The fifth interim distribution approved by the Court on April 8, 2008 brought the total Court authorized level of distributions to 100% of any Allowed Policy Loss Claims. With reference to Note 12, pursuant to an Order of the Court dated July 14, 2009 the Court approved the payment of post-liquidation interest ("**PLI**") by the Liquidator in December 2009.

On August 3, 2010, the Ontario Superior Court of Justice approved an order authorizing the Liquidator to undertake a call for policy loss claims ("**Call for Policy Loss Claims Process**"). The Court Order required that any proof of claims submitted pursuant to the Call for Policy Loss Claims Process be postmarked no later than midnight, December 17, 2010. Further to the Policy Loss Claims Process, claimants filed Proofs of Claim (POCs) with the Liquidator. These POCs includes some "**Contingent Claims**". Contingent claims include claims which are respect to a possible occurrence prior to the expiry of the policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant, and/or in respect of which no claim has yet been made against a policyholder or an insured.

Reliance Canada continues to run off the existing policy and claim liabilities in an orderly fashion, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. The Liquidator continues to pay policy holders and claimants 100% of their Allowed Policy Loss Claims.

In the normal course of business, Reliance Canada sought to reduce the loss that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. Reliance Canada is not

Notes to March 31, 2015 Financial Statements filed with the Court

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relieved of its primary obligation to policyholders as a result of its third party reinsurance. Failure of reinsurers to honour their obligations could result in losses to Reliance Canada. Reliance Canada's reinsurance program includes both reinsurance placed by Reliance Canada directly with Canadian licensed reinsurers and reinsurance entered into by Reliance US which reinsures both Reliance (Canada) policies and policies of Reliance US and other companies in the Reliance group (the latter are referred to as the "International Reinsurance Treaties"). Certain reinsurance contracts are subject to reinstatement premiums.

2. Basis of preparation:

These financial statements are prepared in a manner consistent with the financial statements prepared by the Liquidator since its appointment.

The accounting policies used in the preparation of these financial statements have been selected with a view to reflecting the financial position of an insurance company that is in liquidation, and are not intended to and may not comply with Canadian generally accepted accounting principles or International Financial Reporting Standards. Readers are cautioned that these financial statements may not be suitable for their purposes.

The preparation of these financial statements includes the use of estimates and assumptions that affect the reported assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses for the reporting period. The actual results will differ from these estimates and, in view of the additional uncertainties surrounding a company in liquidation, the differences may be material. Changes in estimates are recorded in the accounting period in which they are determined. Significant estimates are described in notes 5, 6, 9, and 13.

No provision has been made for future liquidation costs.

3. Significant accounting policies:

(a) Investments and investment income:

Short-term investments are readily convertible into cash and have maturities of less than 12 months.

Investments in RBC funds (see note 4) are carried at book value equal to the net invested proceeds. Income distributions and any interest received are reinvested back into the funds. When the carrying amount is greater than the fair value and the market rate valuation is considered temporary in nature, the carrying amount of these financial instruments is not reduced to fair value. Where the carrying amount is greater than the fair value, and after considering such factors as the length of time the carrying value has exceeded the fair value and the significance of the difference in the values, and if the market rate valuation is considered to be other than temporary in nature, the investment is written down to its fair value.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

Investments in term deposits and treasury bills (see note 4) are carried at cost plus accrued interest of \$11 at December 31, 2007, \$334 at June 30, 2004, \$424 at September 30, 2003 and \$325 at December 3, 2001.

Bonds, including accrued interest of \$3,128 at December 3, 2001 (see note 4), are carried at amortized cost, providing for the amortization of the discount or premium on an effective yield basis to maturity.

Investment income is recorded as it is earned. Gains and losses arising on disposal of investments are on a settlement date basis, and are calculated on the basis of amortized cost.

(b) Premium revenue and unearned premiums:

Unearned premiums represent the amount of premiums written which are applicable to the unexpired terms of the policies in force or to the remaining terms of certificates issued as part of program business. Accordingly, premiums written are taken into income when earned. Although policies were generally issued for one year, Reliance Canada also wrote some multi-year policies and some program business with underlying certificates which are multi-year.

If unearned premiums are not sufficient to pay expected claims and expenses, a premium deficiency is said to exist. Any changes in estimates of premium deficiencies recorded as net premium earned in the period in which they are determined.

The reinsurers' share of any unearned premiums, net of a provision for doubtful amounts, is recognized as amounts recoverable from reinsurers at the same time using principles consistent with the method for determining the unearned premium liability.

(c) Provision for Unpaid Claims:

The provision for unpaid claims ("**Unpaid Claims**") includes loss adjustment expenses and represents undiscounted estimates of the ultimate claim costs associated with claims occurring prior to but still outstanding as of the balance sheet date. The provision estimates do not take into account the time value of money or make explicit provision for adverse deviation.

The Liquidator has taken the results of the Call for Policy Loss Claims Process into account in estimating the provision for Unpaid Claims.

The provision includes estimates for (i) outstanding Policy Loss Claims, being claims which have been reported to Reliance Canada and not yet resolved or settled and for which Reliance Canada has established an estimate of the amount to resolve or settle ("**Case Reserves**"); estimates for "incurred but not reported" ("**IBNR**") exposure, which includes claims not yet reported for which Reliance Canada may ultimately be put on notice and to which would have to respond, and potential development on the Case Reserves; and Contingent Claims.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

All provisions are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the period in which they are determined.

On a periodic basis, the Liquidator or its legal counsel instruct external actuaries to confirm their best estimate of policy liabilities and premium liabilities in accordance with accepted actuarial standards of practice except that time value of discount is not used and there is no explicit provision for adverse deviation. The actuarial analysis is performed on both a gross and net of reinsurance basis. The most recent actuarial reviews were performed as at November 30, 2013, December 31, 2010 and June 30, 2009. With respect to the November 30, 2013 actuarial review, standard actuarial techniques were not effective to evaluate the reduced number of claims. As a result, the external actuary reviewed each claim individually and determined a range of probable settlement values of each claim. In addition, discounts to reflect the time value of money were not used.

In the normal course of settling claims, Reliance Canada acquires rights to subrogate its claims against other parties and, in some cases, recover a portion of the loss from the policyholder as a deductible amount. Salvage and subrogation are deemed not to be material and, as such, are recorded as received. Deductible amounts, which are recoverable on liability claims, have been recognized as assets.

Uncertainties

Considerable judgement is required to evaluate claims and establish claim liabilities. These estimates of future loss activity are based on known facts and interpretation of circumstances, and are selected from a wide range of possible outcomes. These estimates are subject to variability, and the process of determining the provision necessarily involves risks that the variability could be material. The variability arises because all events affecting the ultimate settlement of claims have not yet taken place and may not take place for some time. Additional factors affecting the variability include receipt of additional claim information, the continually evolving and changing regulatory and legal environment, court decisions, economic conditions, public attitudes, claims management practices, actuarial studies, the quality of the data used for projection purposes, the effect of inflationary trends on future claims handling and settlement practices, and significant changes in the severity or frequency of claims from historical trends.

It is also not possible to estimate the impact of the additional uncertainties surrounding a company in liquidation on the estimation process. In addition to underwriting direct insurance risks, Reliance Canada accepted certain insurance risks that other insurance companies have underwritten ("**Assumed Reinsurance**"). Because of the necessary reliance on the ceding companies for information regarding reported claims, and the resulting reporting lag between the dates of occurrence and the time Reliance Canada is notified of the claims, the inherent uncertainties of estimating reserves is greater for Assumed Reinsurance than for direct insurance.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

(d) Ceded Reinsurance:

Claims incurred are recorded net of amounts ceded to, and recoverable from, reinsurers. To indicate the extent of the credit, collection and contractual risks related to third party reinsurance, estimates of amounts recoverable from reinsurers are recorded separately from the estimated provisions for unearned premiums and unpaid claims.

Amounts recoverable from reinsurers, net of a provision for doubtful amounts, are estimated and recognized at the same time and using principles consistent with Reliance Canada's method for establishing the related liability.

Reliance Canada makes specific provisions against reinsurance receivables and recoverables from companies who are in liquidation or run-off, with whom balances are in dispute or where the reinsurer is not settling balances due to Reliance Canada for reasons related to Reliance US. In addition, the Reliance Canada records a general allowance against reinsurance receivables and recoverables based upon the level of allowance already in place and management's judgement. The general allowance reflects the view that a company in liquidation or run-off has a greater collection risk than a going concern company.

Reinstatement premiums are set up as amounts due to other insurers and reinsurers on the balance sheet and are included in reinsurance ceded on the Statement of Earnings.

Uncertainties

Reliance Canada is exposed to disputes on, and defects in, contracts with reinsurers and the possibility of default by its reinsurers. The establishment of the allowances for doubtful accounts for reinsurance recoverable involves judgement and therefore creates a degree of uncertainty as to adequacy at each reporting date.

(e) Foreign Exchange:

Realized gains and losses on foreign exchange transactions and unrealized gains and losses on the translation of certain monetary assets and liabilities are recognized in the statement of earnings. Certain monetary assets and liabilities are denominated in US dollars (e.g. cash and investments and facultative reinsurance payable/receivable) are translated to Canadian dollars using the applicable period end rate of exchange. These gains and losses are included in general expenses as are any realized gain/loss arising from transfers between Canadian and US dollar bank accounts.

Policyholder liability reserves and related reinsurance, excluding facultative reinsurance, are translated to U.S. dollars at a fixed rate. Further to an order from the Court, dated December 18, 2003 and amended on June 30, 2004, the Liquidator is authorized to pay claims payable in foreign currencies either in the applicable foreign currency or in Canadian currency converted at the Bank of Canada noon spot rate of exchange on November 8, 2001, which was \$1.5981 ("**Liquidation FX Rate**"). Further to this, case reserves or claims payable (and related reinsurance, excluding facultative reinsurance) denominated in U.S. dollars are set up using the Liquidation FX Rate.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

4. Short term investments and investments:

Composition of the cash and short term investments:

	March 31, 2015	March 31, 2014	March 31, 2011	September 30, 2009	December 31, 2007
Cash	\$ 711	\$ 1,029	\$ 341	\$ (29)	\$ 1,053
Short term investments (including term deposits and treasury bills)	-	-	875	-	1,641
Total	\$ 711	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694

	September 30, 2006	September 30, 2005	June 30, 2004	September 30, 2003	December 3, 2001
Cash	\$ 1,101	\$ 916	\$ 2,856	\$ 420	\$ 1,263
Short term investments (including term deposits and treasury bills)	-	-	152,222	155,857	54,902
Total	\$ 1,101	\$ 916	\$ 155,078	\$ 156,277	\$ 56,165

Due to their short-term nature, the carrying value of the short-term investments approximates their fair value.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

Composition of investment portfolio:

	March 31, 2015		March 31, 2014		March 31, 2011		September 30, 2009	
	Book	Market	Book	Market	Book	Market	Book	Market
	Value	Value	Value	Value	Value	Value	Value	Value
RBC Cdn Money Market fund	\$ 10,328	\$ 10,328	\$ 13,387	\$ 13,387	\$ 30,332	\$ 30,332	\$ 39,803	\$ 39,803
RBC Short Term Income fund	81,922	84,750	80,460	82,449	73,160	74,996	72,910	75,959
RBC US Money Market fund	-	-	-	-	23,675	23,675	23,349	23,349
PH&N Short Term Bond & Mortgage fund	22,049	22,217	21,449	21,344	-	-	-	-
Bonds - Cdn Government	-	-	-	-	-	-	-	-
Bonds - Cdn Corporate	-	-	-	-	-	-	-	-
Total investments	\$ 114,299	\$ 117,295	\$ 115,296	\$ 117,180	\$ 127,167	\$ 129,003	\$ 136,062	\$ 139,111

	December 31, 2007		September 30, 2006		September 30, 2005		June 30, 2004	
	Book	Market	Book	Market	Book	Market	Book	Market
	Value	Value	Value	Value	Value	Value	Value	Value
RBC Cdn Money Market fund	\$ 49,031	\$ 49,031	\$ 53,243	\$ 53,243	\$ 61,506	\$ 61,506	\$ -	\$ -
RBC Short Term Income fund	69,812	70,204	77,845	78,173	71,007	70,618	-	-
RBC US Money Market fund	19,397	19,397	16,673	16,673	8,795	8,795	-	-
Bonds - Cdn Government	-	-	-	-	-	-	-	-
Bonds - Cdn Corporate	-	-	-	-	-	-	-	-
Total investments	\$ 138,240	\$ 138,632	\$ 147,761	\$ 148,089	\$ 141,308	\$ 140,919	\$ -	\$ -

	September 30, 2003		December 3, 2001	
	Book	Market	Book	Market
	Value	Value	Value	Value
RBC Cdn Money Market fund	\$ -	\$ -	\$ -	\$ -
RBC Short Term Income fund	-	-	-	-
RBC US Money Market fund	-	-	-	-
Bonds - Cdn Government	-	-	99,959	105,415
Bonds - Cdn Corporate	-	-	8,990	8,977
Total investments	\$ -	\$ -	\$ 108,949	\$ 114,392

The carrying value of the Short Term Income Fund was written down to fair value as at March 31, 2006 and September 30, 2007. The amounts of the adjustments were \$1,658 at March 31, 2006 and \$444 at September 30, 2007.

RELIANCE INSURANCE COMPANY
Canadian Branch (in liquidation)

Notes to March 31, 2015 Financial Statements filed with the Court

(unaudited – \$000)

5. Provision for Unpaid Claims:

The changes in the unpaid claim provisions recorded in the balance sheet as at March 31, 2015, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2006, September 30, 2005, June 30, 2004 and September 30, 2003 and their impact on the claims and adjustment expenses for the twelve months ended March 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, fifteen months ended September 30, 2005, nine months ended June 30, 2004, and twenty-two months ended September 30, 2003, are as follows:

	Apr 1, 2014 to Mar 31, 2015	Apr 1, 2011 to Mar 31, 2014	Oct 1, 2009 to Mar 31, 2011	Jan 1, 2008 to Sep 30, 2009	Oct 1, 2006 to Dec 31, 2007
Unpaid claim at beginning of period	\$ 13,279	\$ 45,390	\$ 64,661	\$ 63,905	\$ 92,190
Recoverable from reinsurers at beginning of period	2,615	10,326	22,730	22,942	34,928
Net unpaid claims at beginning of period	10,664	35,064	41,931	40,963	57,262
Increase (decrease) in estimated losses and Expenses for claims occurring in prior years	418	(2,205)	(4,683)	4,534	(12,514)
Increase(decrease) in outstanding deductibles	-	-	-	-	-
Paid on claims (net) occurring during current year (Gap Programs)	-	-	-	-	(283)
Paid on claims (net) occurring during prior year	(2,610)	(22,195)	(2,184)	(3,566)	(3,502)
Net reserves at end of period	8,472	10,664	35,064	41,931	40,963
Ceded reserves at end of period	3,074	2,615	10,326	22,730	22,942
Gross reserves at end of period	\$ 11,546	\$ 13,279	\$ 45,390	\$ 64,661	\$ 63,905

	Oct 1, 2005 to Sep 30, 2006	Jul 1, 2004 to Sep 30, 2005	Oct 1, 2003 to Jun 30, 2004	Dec 3, 2001 to Sep 30, 2003
Unpaid claim at beginning of period	\$ 111,980	\$ 171,544	\$ 145,815	\$ 135,088
Recoverable from reinsurers at beginning of period	42,172	71,704	51,761	57,536
Net unpaid claims at beginning of period	69,808	99,840	94,054	77,552
Increase (decrease) in estimated losses and Expenses for claims occurring in prior years	(8,722)	(19,974)	12,539	42,317
Increase(decrease) in outstanding deductibles	(60)	(30)	(65)	(1,090)
Paid on claims (net) occurring during current year (Gap Programs)	(171)	(278)	(577)	(1,377)
Paid on claims (net) occurring during prior year	(3,593)	(9,750)	(6,111)	(23,348)
Net reserves at end of period	57,262	69,808	99,840	94,054
Ceded reserves at end of period	34,928	42,172	71,704	51,761
Gross reserves at end of period	\$ 92,190	\$ 111,980	\$ 171,544	\$ 145,815

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(unaudited – \$000)

6. Unearned premium:

The provisions for unearned premiums include actuarially determined estimates for premium deficiencies. The process for estimating any provisions for premium deficiency involves the use of estimates concerning factors such as expected claims and expenses and future payout patterns. Any provisions are necessarily subject to uncertainty.

The provision estimates do not take into account the time value of money or make explicit provision for adverse deviation.

7. Reliance US:

(a) Payable to Reliance US:

As at March 31, 2015, \$4,848 is recorded in Reliance Canada's books as due to Reliance US for underwriting commissions paid to ECS Managers (the "**ECS Commission Payable**"); at March 31, 2014, the payable to head office was \$4,848; at March 31, 2011 \$4,848; at September 30, 2009 \$4,848; at December 31, 2007 \$4,848; at September 30, 2006 \$4,848; at September 30, 2005 \$4,848; at June 30, 2004 \$4,848 at September 30, 2003 \$4,848 and at December 3, 2001 the payable was nil.

The liquidator for Reliance US (the "**US Liquidator**"), subsequent to the date of liquidation, advised Reliance Canada that Reliance US had settled the ECS Commission Payable with ECS Managers on behalf of Reliance Canada prior to the respective and separate liquidations of Reliance Canada and Reliance US. Additionally Reliance US receives reinsurance proceeds on behalf of Reliance Canada pursuant to the International Reinsurance Treaties. The US Liquidator has taken the position that it wishes to withhold payment to the Canadian Liquidator of reinsurance collected by Reliance US on behalf of Reliance Canada on the International Reinsurance Treaties ("**Canadian Reinsurance Proceeds**") up to the amount of the ECS Commission Payable of \$4,848 or US\$3,034. The Canadian Liquidator disputes that the US Liquidator is entitled to do this; however, the parties have agreed that, without prejudice, Reliance US will pay to Reliance Canada any Canadian Reinsurance Proceeds in excess of the ECS Commission Payable. The US Liquidator and the Canadian Liquidator have agreed to fix the Canadian dollar balance due to Reliance US for the ECS Commission Payable using the exchange rate of 1.5981 (see note 3).

(b) Receivable from Reliance US:

As at March 31, 2015, Reliance US has collected and is holding Canadian Reinsurance Proceeds of \$4,848, pending payment or resolution of the disagreement regarding the ECS Commission Payable. At March 31, 2014 the balance was \$4,848; March 31, 2011 \$4,848; September 30, 2009 \$4,848; December 31, 2007 \$4,848; September 30, 2006 \$4,848; at September 30, 2005 \$4,848; at June 30, 2004 \$4,848; at September 30, 2003 \$4,181; and at December 3, 2001 nil. While Reliance Canada has generally billed its reinsurance in Canadian dollars, Reliance US has generally collected the Canadian Reinsurance

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Proceeds in US dollars. The US dollar amount due from the Reliance US to Reliance Canada has been fixed at a rate of 1.5981 (see note 3). The resulting foreign exchange gain was booked through the income statement in June 2004.

(c) Receivable from Reliance US – Current Balance Due:

Any Canadian Reinsurance Proceeds collected by Reliance US in excess of the amount of the ECS Commission Payable (the "Excess Canadian Reinsurance Proceeds"), are to be remitted to Reliance Canada within a reasonable timeframe. As at March 31, 2015 the Excess Canadian Reinsurance Proceeds were nil; at March 31, 2014 the balance was nil; at March 31, 2011 nil; at September 30, 2009 \$35, at December 31, 2007 nil; at September 30, 2006 \$159; at September 30, 2005 \$222; at June 30, 2004 \$870 at September 30, 2003 nil; and at December 3, 2001 nil. While Reliance Canada has generally billed its reinsurance in Canadian dollars, Reliance US has generally collected its reinsurance recoveries in US dollars. Reliance Canada will recognize a foreign exchange gain or loss upon the receipt of any reinsurance collections related to Reliance Canada claims collected by Reliance US.

(d) Protocol Agreement:

Further to a protocol agreement between the Liquidator and the US Liquidator, Reliance US provides various services to Reliance Canada, particularly in the areas of data processing, claims and reinsurance. For the twelve months ended March 31, 2015 the cost of the services was \$123. From April 1, 2011 to March 31, 2014 the cost of the services was \$497; October 1, 2009 to March 31, 2011 \$243; January 1, 2008 to September 30, 2009 \$287; October 1, 2006 to December 31, 2007 \$223; October 1, 2005 to September 30, 2006 \$175; July 1, 2004 to September 30, 2005 \$262; October 1, 2003 to June 30, 2004 \$187; and December 3, 2001 to September 30, 2003 \$505.

8. Allowed Policy Loss Claims not fully paid:

As at March 31, 2015, the Allowed Policy Loss Claim balances due on claims which have been settled and admitted by the Liquidator, in excess of the Court authorized payments, were nil; at March 31, 2014 the Allowed Policy Loss Claim balances were nil; at March 31, 2011 nil; at September 30, 2009 nil; at December 31, 2007 \$12,802; at September 30, 2006 \$20,340; at September 30, 2005 \$24,163; at June 30, 2004 \$33,106; September 30, 2003 \$17,269; and December 3, 2001 nil. Pursuant to the fifth interim distribution approved by the Court in April 2008, the Liquidator is paying policy holders and claimants 100% of their valid and allowed loss claims.

RELIANCE INSURANCE COMPANY
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9. Surplus:

As at March 31, 2015, Reliance Canada's estimated surplus was \$105,319; at March 31, 2014 \$104,573; at March 31, 2011 \$95,636; at September 30, 2009 \$91,698; at December 31, 2007 \$92,222; at September 30, 2006 \$78,770; at September 30, 2005 \$70,085; at June 30, 2004 \$42,975; at September 30, 2003 \$52,986; and at December 3, 2001 \$85,266. This estimate is subject to revision. In view of the uncertainties surrounding a company in liquidation, the ultimate realization of the assets and liabilities will differ from the estimated results as at March 31, 2015 and the difference may be material. The *Winding-up and Restructuring Act* ("WURA") provides that the Liquidator may, with the approval of the Court, release to Reliance US any balance of the assets remaining after the payment of claims in the order of priority prescribed by WURA.

10. General and claims expense information:

	April 1, 2014 to March 31, 2015			April 1, 2011 to March 31, 2014			October 1, 2009 to March 31, 2011		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 216	\$ 114	\$ 102	\$ 1,262	\$ 429	\$ 833	\$ 893	\$ 291	\$ 602
Office Expenses	120	60	60	445	215	230	333	165	168
Legal/Professional Services	3	1	2	97	53	44	24	14	10
Allowance for bad debts	1	1	-	2	2	-	(1)	(1)	-
Head Office Services	123	61	62	497	248	249	243	122	121
Interest (Income)/expense	(26)	(26)	-	(27)	(27)	-	(3)	(3)	-
Foreign exchange (gain)/loss	14	14	-	(744)	(744)	-	2,489	2,489	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	-	-	-
Scotia Capital	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Liquidation Expenses:									
KPMG Inc.	737	737	-	1,007	1,007	-	808	808	-
Goodmans LLP	734	734	-	234	234	-	232	232	-
Legal-Post Liquidation Interest	-	-	-	-	-	-	-	-	-
Legal-Reinsurance collections	-	-	-	-	-	-	15	15	-
PACICC expenses	-	-	-	-	-	-	-	-	-
Call for claims expenses	-	-	-	-	-	-	177	177	-
Total Expenses	\$ 1,922	\$ 1,696	\$ 226	\$ 2,773	\$ 1,417	\$ 1,356	\$ 5,210	\$ 4,309	\$ 901

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	January 1, 2008 to September 30, 2009			October 1, 2006 to December 31, 2007			October 1, 2005 to September 30, 2006		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 1,187	\$ 460	\$ 727	\$ 745	\$ 246	\$ 499	\$ 664	\$ 289	\$ 375
Office Expenses	371	178	193	273	106	167	247	122	125
Legal/Professional Services	117	61	56	87	35	52	135	67	68
Allowance for bad debts	1	1	-	(1)	(1)	-	(1)	(1)	-
Head Office Services	287	144	143	223	94	129	175	88	87
Interest (Income)/expense	(65)	(65)	-	19	19	-	14	14	-
Foreign exchange (gain)/loss	(1,232)	(1,232)	-	2,579	2,579	-	764	764	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	-	-	-
Scotia Capital	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Liquidation Expenses:									
KPMG Inc.	726	726	-	730	730	-	478	478	-
Goodmans LLP	696	696	-	632	632	-	201	201	-
Legal-Post Liquidation Interest	144	144	-	-	-	-	-	-	-
Legal-Reinsurance collections	22	22	-	523	523	-	-	-	-
PACICC expenses	129	129	-	-	-	-	-	-	-
Call for claims expenses	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 2,383	\$ 1,264	\$ 1,119	\$ 5,810	\$ 4,963	\$ 847	\$ 2,677	\$ 2,022	\$ 655

	July 1, 2004 to September 30, 2005			October 1, 2003 to June 30, 2004			December 3, 2001 to September 30, 2003		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 945	\$ 473	\$ 472	\$ 1,079	\$ 539	\$ 540	\$ 2,663	\$ 1,331	\$ 1,332
Office Expenses	342	171	171	318	159	159	567	275	292
Legal/Professional Services	311	155	156	111	56	55	310	155	155
Allowance for bad debts	(3)	(3)	-	6	6	-	(108)	(108)	-
Head Office Services	262	130	132	187	93	94	505	262	243
Interest (Income)/expense	27	27	-	(406)	(406)	-	80	80	-
Foreign exchange (gain)/loss	482	482	-	(31)	(31)	-	(306)	(306)	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	227	227	-
Scotia Capital	-	-	-	-	-	-	214	214	-
Other	-	-	-	-	-	-	329	329	-
Liquidation Expenses:									
KPMG Inc.	869	869	-	622	622	-	3,180	3,180	-
Goodmans LLP	485	485	-	174	174	-	1,017	1,017	-
Legal-Post Liquidation Interest	-	-	-	-	-	-	-	-	-
Legal-Reinsurance collections	-	-	-	-	-	-	-	-	-

RELIANCE INSURANCE COMPANY
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PACICC expenses	-	-	-	-	-	-	-	-	-
Call for claims expenses	-	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 3,720</u>	<u>\$ 2,789</u>	<u>\$ 931</u>	<u>\$ 2,060</u>	<u>\$ 1,212</u>	<u>\$ 848</u>	<u>\$ 8,678</u>	<u>\$ 6,656</u>	<u>\$ 2,022</u>

The claims expenses are included in Claims incurred on the statement of earnings and changes in surplus.

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11. Capital and other taxes:

Reliance Canada is required to pay a 15% withholding tax on certain of its income from the RBC Funds. Reliance Insurance is a US incorporated insurance company that carries on business in Canada through a registered branch. For Canadian income tax purposes Reliance Canada can designate some of its assets as insurance investment properties. Investment income from these properties are included in Reliance Canada taxable income from its business. Any investment income included in taxable income is offset by available non-capital losses; as a result Reliance Canada does not pay any corporate income tax. For any investment income on any investment properties which Reliance Canada is not able to designate as insurance investment properties, such as trust distributions (in the case of Reliance, income received on the RBC funds), Reliance Canada must remit a 15% withholding tax. In 2006 and 2007 Reliance Canada was not able to include all of its investments in RBC funds as designated investment properties as defined in the Income Tax Regulations. In 2007 Reliance Canada expensed and paid \$341 in withholding tax for the 2006 taxation year. The accrued withholding tax was \$398 for the twelve month ending March 31, 2015, \$943 for the thirty-six months ending March 31, 2014, \$448 for the eighteen months ending March 31, 2011, \$703 for the twenty-one months ending September 30, 2009 and \$410 for the twelve months ending December 31, 2007. The 2006 financial statements have not been restated, as the amount for 2006 is not material.

12. Post Liquidation Interest:

In 2009 the Liquidator sought the advice and direction of the Court on the complex issue of PLI by way of a contested proceeding, with representative counsel for designated classes of stakeholders. By Order dated July 14, 2009 (the "PLI Order"), the Court provided its advice and directions with respect to the entitlement to PLI and the calculation methodology to be applied under subsection 95(2) of the *WURA*. Based on the PLI Order, the amount of PLI due to policyholders as at September 30, 2009 was approximately \$5,200, calculated on the basis that PLI accrues on the unpaid portion of the policyholder settlement amount from the date the claim is settled until the date that the policyholder is paid in full, using an interest rate of 5%.

The Court approved the distribution of PLI (the "Interest Distribution") by the Liquidator in December 2009. An Interest Distribution of \$5,454 was paid in December 2009, with an additional amount of \$252 being paid in the first quarter of 2010.

For all Allowed Policy Loss Claims that have been paid in full, including any PLI amounts, PLI no longer continues to accrue.

RELIANCE INSURANCE COMPANY
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13. Contingent liabilities:

(a) Post-liquidation Interest:

Refer to note 12. Assuming that PLI was payable and accruing on the unpaid portion of each policyholder's settlement amount from the date the claim was settled until the date that the policyholder was paid in full, and using an interest rate of 5%, the Liquidator estimated the accrued PLI as at December 31, 2007 to be approximately \$4,200. After receiving the Court directions in 2009, an amount for PLI was booked as a payable on the September 30, 2009 financial statements.

(b) Brokers Payable:

At December 31, 2007, the brokers payable balance was \$2,400. In the third quarter of 2008, the Liquidator conducted a court approved call for claims for ordinary creditors. Only one claim was filed and allowed for the Canadian equivalent of \$7 and was paid out in December 2009. The balance of the brokers payable balance has been written off.

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SCHEDULE "H"

LIST OF RELIANCE CANADA POLICIES ISSUED TO ITCAN

Policy Number	Policy Period	Policy Limits	Policy Attachment
TGL7001361	April 1, 1990 – April 1, 1991	\$10 million	\$45 million
TGL7001645	April 1, 1991 – April 1, 1992	\$15 million	\$35 million
TGL7001994	April 1, 1992 – April 1, 1993	\$15 million	\$35 million
TGL7002396	April 1, 1993 – April 1, 1994	\$15 million	\$35 million
TGL7002872	April 1, 1994 – April 1, 1995	\$15 million	\$35 million
TGL0000112	April 1, 1995 – April 1, 1996	\$3 million	\$2 million
TGL0000113	April 1, 1995 – April 1, 1996	\$10 million	\$47 million
TXL0000875	April 1, 1996 – April 1, 1997	\$20 million	\$35 million
TXL0000875	April 1, 1997 – April 1, 1998	\$20 million	\$35 million
TXL0002374	April 1, 1998 – April 1, 1999	\$25 million	\$35 million
TXL0002374	April 1, 1999 – April 1, 2000	\$25 million	\$35 million



SCHEDULE "I"**ITCAN ACTIONS**

1. Ontario Court (General Division), bearing Action No.: C17773/97 (the Action No. was changed to 06-CV-309667PD3 as a result of the matter being moved from Milton to Toronto) filed on or about May 1, 1997, by Mirjana Spasic as a Statement of Claim naming Imperial Tobacco Limited as a defendant;
2. Supreme Court of British Columbia, bearing Action No.: S010421 filed on or about January 24, 2001, by Her Majesty The Queen in Right of British Columbia as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
3. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000070-983. On or about September 3, 1998, Cécilia Létourneau filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 Létourneau filed a Motion to Institute Class Action Proceedings;
4. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000076-980. On or about November 18, 1998, the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion to Institute Class Action Proceedings;
5. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 1036 of 2009, filed on or about July 10, 2009 by Thelma Adams as a Notice of Motion for Certification naming Imperial Tobacco Canada Limited as a defendant;
6. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 916 of 2009, filed on or about June 12, 2009 by Thelma Adams as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
7. Court of Queen's Bench of Alberta, Judicial District of Calgary, bearing Action No.: 0901-08964, filed on or about June 15, 2009 by Linda Dorion as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
8. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI09-01-61479, filed on or about June 2009 by Deborah Kunta as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
9. Court of Queen's Bench of New Brunswick, Trial Division, Judicial District of Fredericton, bearing Action No.: F/C/88/08 filed on or about March 13, 2008, by Her Majesty the Queen in Right of The Province of New Brunswick as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited;

10. Ontario Superior Court of Justice, bearing Action No.: CV-09-387984 filed on or about September 29, 2009, by her Majesty The Queen in Right of Ontario as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
11. Supreme Court of Nova Scotia, bearing Action No.: 312869 filed on or about June 18, 2009, by Ben Semple as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
12. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 10-2780, filed on or about June 25, 2010, by Barbara Bourassa on behalf of the Estate of Mitchell David Bourassa, as a Writ of Summons & Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
13. Supreme Court of British Columbia, Victoria Registry, bearing Action No.: 10-2769, filed on or about June 25, 2010, by R. McDermid as a Writ of Summons and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
14. Ontario Superior Court of Justice, bearing Action No.: 64757, filed on or about December 2, 2009, by The Ontario Flue-Cured Tobacco Growers' Marketing Board, Andy J. Jacko, Brian Baswick, Ron Kichler and Arpad Dobrentey as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
15. Ontario Superior Court of Justice, bearing Action No.: 00-CV-196070, filed on or about August 15, 2000, by Ronald McIntyre, by his estate representative, Maureen McIntyre as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
16. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 961769, filed on or about March 20, 1996, by David Brian Rowland as a Writ of Summons naming Imperial Brands Ltd. as a defendant;
17. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 031300, filed on or about May 8, 2003, by Kenneth Knight as a Writ of Summons naming Imperial Tobacco Canada Limited as a defendant; and
18. Supreme Court of Nova Scotia, bearing Action No.: 177663 filed on or about September 5, 2002, by Peter Stright, as an Amended Originating Notice naming Imperial Tobacco Company Limited as a defendant.
19. Ontario Court General Division, bearing Action No.: 97-CU-121572 filed by Meditrust Healthcare Inc., naming Shoppers Drug Mart, a division of Imasco Retail Inc., as a defendant.
20. Ontario Superior Court of Justice, bearing Action No.: 00-CV-183165 filed by Jasmine Ragoonanan et al., naming Imperial Tobacco Canada Limited as a defendant.
21. Supreme Court of Newfoundland and Labrador, Trial Division, bearing Action No.: 20111 OIG. No. 0826 filed by Attorney General of Newfoundland and Labrador, naming Imperial Tobacco Canada Limited as a defendant.

22. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI 12-01-78127, filed by Her Majesty the Queen in Right of The Province of Manitoba naming Imperial Tobacco Canada Limited as a defendant.
23. Alberta Court of Queen's Bench, bearing Action No.: 1201-07314 filed by Her Majesty in Right of Alberta, naming Imperial Tobacco Canada Limited as a defendant.
24. Quebec Superior Court, District of Montreal, bearing Action No.: 500-17-072363-123 filed by Attorney General for the Province of Quebec, naming Imperial Tobacco Canada Limited as a defendant.
25. Ontario Superior Court of Justice, bearing Action No.: 53-794 of 2012, filed by Suzanne Jacklin, naming Imperial Tobacco Canada Limited as a defendant.
26. Supreme Court of Prince Edward Island General Section, bearing Action No.: S1-GS-25019 filed by Her Majesty the Queen in Right of the Province of Prince Edward Island, naming Imperial Tobacco Canada Limited as a defendant.
27. Supreme Court of Nova Scotia, bearing Action No.: 434868, filed by Her Majesty the Queen in Right of the Province of Nova Scotia naming Imperial Tobacco Canada Limited as a defendant.
28. Saskatchewan Court of Queen's Bench, bearing Action No. 871 of 2012, filed by the Government of Saskatchewan naming Imperial Tobacco Canada Limited as a defendant.

J

ITCAN AGREEMENT

FULL AND FINAL SETTLEMENT AND RELEASE AGREEMENT

BETWEEN:

IMPERIAL TOBACCO CANADA LIMITED,
IMPERIAL BRANDS LTD. and IMPERIAL
TOBACCO COMPANY LIMITED

AND:

RELIANCE CANADA IN LIQUIDATION, BY ITS
LIQUIDATOR, KPMG INC.

I. RECITALS:

- 1.01 All capitalized terms used in this Section I have the meanings set forth in Section II of this Agreement.
- 1.02 Reliance Canada is in liquidation under the *Winding-up and Restructuring Act*, pursuant to an order of the Ontario Court made December 3, 2001, and KPMG Inc. is the court-appointed liquidator of Reliance Canada;
- 1.03 Reliance Canada issued the Policies;
- 1.04 The Proofs of Claim have been filed in the winding-up of Reliance Canada. The Proofs of Claim assert certain Policy Claims;
- 1.05 The Liquidator disputes the Proofs of Claim. Certain of the Proofs of Claim were filed subsequent to the date set for filing by Order of the Ontario Court made August 3, 2010, and the Parties have reserved their respective positions in respect of the effect, if any, of such filing being made after such date;
- 1.06 Reliance Canada in Liquidation continues to assert that it has valid defences to the Policy Claims, including without limitation valid coverage defences and/or other valid defences, and that any and all Policies are not responsive to the Policy Claims, but has concluded that it will enter into this Agreement among other reasons in order to avoid the further expense,

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inconvenience, burden, distractions, uncertainty and risk of litigation and any other present or future disputes or litigation relating in any way to the Policies;

- 1.07 The ITCAN Entities have asserted and continue to assert that the Policy Claims are valid but have concluded that they will enter into this Agreement among other reasons in order to avoid the further expense, inconvenience, burden, distractions, uncertainty and risk of litigation and any other present or future disputes or litigation relating in any way to the Policies;
- 1.08 The Parties, without any admission of liability or of the validity of the positions or arguments advanced by any Party, desire to fully, finally and forever settle and resolve all Claims of the ITCAN Entities, including without limitation the Policy Claims;
- 1.09 The Parties have each concluded, after investigation of the facts and with the benefit of advice from counsel, that this Agreement is a fair, reasonable and appropriate resolution of the matters settled herein, including without limitation the Policy Claims.

NOW THEREFORE, the Parties, in consideration of the terms as set out herein, agree as follows:

II. DEFINITIONS

In this Agreement, the following terms shall have the meanings set forth below. Singular or plural use of terms shall have the corresponding singular or plural meaning, as the case may be.

- 2.1 "Actions" means the proceedings described in Schedule "A" hereto and any appeals thereof and any proceedings against any of the ITCAN Entities commenced prior to the issuance of the Approval Order.
- 2.2 "Agreement" means this Full and Final Settlement and Release Agreement.
- 2.3 "Approval Order" means an Order of the Ontario Court in the winding-up proceedings of Reliance Canada to the effect of and substantially in the form of the order attached as Schedule "D" to this Agreement.
- 2.4 "Claims" means any and all claims, demands, interests, actions, obligations, causes of action, rights, entitlements, lawsuits or liabilities of any kind or nature whatsoever

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(including without limitation any causes of action or rights available by reason of proceedings under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act*, the *Winding-up and Restructuring Act* or any like or similar insolvency proceeding, or that could constitute claims under any such statutes); reported and unreported, whether arising at law, in equity, by statute, ordinance, civil law, common law, contract, insurance policy or otherwise, including without limitation by reason of any acts, inaction, representation or dealing, and regardless of the type of relief sought, and whether past, present or future, direct, indirect, contingent, non-contingent, liquidated, unliquidated, known or unknown.

- 2.5 “**Claimants**” means collectively the plaintiffs and plaintiff class members, if any, in the Actions, and the respective heirs, executors, administrators, legal representatives, successors and/or assigns of all the foregoing, and any Government of a Province or Territory of Canada not included in Schedule “A” and the Government of Canada.
- 2.6 “**Effective Date**” has the meaning set out in Section 4.1 of this Agreement.
- 2.7 “**ITCAN**” means Imperial Tobacco Canada Limited, being a corporation formed by the February 1, 2000 amalgamation of Imasco Limited with British American Tobacco (Canada) Limited.
- 2.8 “**ITCAN Entities**” means ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, and all Persons named or described as insureds or beneficiaries under any of the Policies, and all Persons who have, can or may claim any coverage, entitlement, protection, indemnity or relief whatsoever under, in respect of, arising out of, pursuant to, in relation to or in any way connected with the Policies, whether named or unnamed in the Policies.
- 2.9 “**Liquidator**” means KPMG Inc., in its capacity as Court-appointed liquidator of Reliance Canada, and not in its personal capacity.
- 2.10 “**Notice**” means such notice of Claims or potential Claims and/or Actions as may have been provided by the ITCAN Entities to Reliance Canada or Reliance Canada in Liquidation.
- 2.11 “**Ontario Court**” means the Ontario Superior Court of Justice.

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- 2.12 **“Other Insurers”** means collectively the insurance companies set out in Schedule “F” to this Agreement, as supplemented or amended pursuant to Section 4.2 of this Agreement, being those insurers of the ITCAN Entities who issued commercial general, commercial general umbrella, or commercial general excess liability insurance (other than the primary or excess insurance referenced in Section 2.20 of this Agreement) for policy periods encompassing the Claims to be settled pursuant to this Agreement; and any and all predecessors, successors and/or assigns of each of them, including but not limited to any receivers, administrators, liquidators or trustees, in all capacities.
- 2.13 **“Outside Date”** means March 31, 2016.
- 2.14 **“Parties”** means ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited and Reliance Canada in Liquidation.
- 2.15 **“Party”** means one of (i) ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, collectively, and (ii) Reliance Canada in Liquidation.
- 2.16 **“Person”** means an individual, corporation, partnership, association, limited liability company, proprietorship, joint venture, trust, executor, legal representative, and/or any other entity or organization, as well as any federal, provincial, international, foreign, state, and/or local governmental or quasi-governmental entity, body, or political subdivision and/or any agency or instrumentality thereof, and any heir, executor, legal representative, administrator, successor and/or assign of any of the foregoing.
- 2.17 **“Policies”** means the policies of insurance set out in Schedule “B” hereto.
- 2.18 **“Policy Claims”** means any and all Claims made or asserted or that could be made or asserted, by or on behalf of or for the benefit of any of the ITCAN Entities, to or against any or all Reliance Releasees, under, in respect of, arising out of, pursuant to, in relation to or in any way connected with the Policies, and whether reported and unreported, including without limitation those asserted by, under or in connection with the Notice, Proofs of Claim, Actions and any Policy Obligations.
- 2.19 **“Policy Obligations”** means Reliance Canada’s obligations or liabilities, if any, under, in respect of, arising out of, pursuant to, in relation to, or in any way connected with the

Policies, whether by contract or at law, in equity, by statute, ordinance, civil law, common law, or otherwise, including without limitation any obligation to investigate Claims against any ITCAN Entity, provide indemnification with respect to any Claims against or liability of any ITCAN Entity, or indemnify or pay any defence costs and/or any damages or costs award (including without limitation any award of plaintiffs' costs and/or pre-judgment interest and/or post-judgment interest).

- 2.20 **"Primary and Excess Carriers"** means collectively the insurance companies set out in Schedule "E" to this Agreement, as supplemented or amended pursuant to Section 4.2 of this Agreement, being those insurers which issued insurance to which any of the Policies is excess, and those insurers which issued insurance that is excess to any of the Policies, and any and all predecessors, successors and/or assigns of each of them, including but not limited to any receivers, administrators, liquidators or trustees, in all capacities.
- 2.21 **"Proofs of Claim"** means the Proofs of Claim dated December 16, 2010 and June 5, 2015, set out in Schedule "C" hereto.
- 2.22 **"Reliance Canada"** means the insurance business in Canada of Reliance Insurance Company.
- 2.23 **"Reliance Canada in Liquidation"** means Reliance Canada in liquidation, by its liquidator, KPMG Inc.
- 2.24 **"Reliance Releasees"** means: (i) Reliance Insurance Company and Reliance Insurance Company (in liquidation) and their past, present and future statutory liquidators; (ii) Reliance Canada and Reliance Canada in Liquidation; (iii) the Liquidator and KPMG Inc. in its personal capacity; (iv) reinsurers of Reliance Insurance Company, Reliance Canada and/or Reliance Canada in Liquidation, and each of their retrocessionaires; (v) any past, present and future direct and indirect subsidiaries, associated and affiliated companies, parent entities, shareholders, divisions, branches, trusts, principals, partners, dealers, agents, brokers, and joint ventures, employees, officers, directors, principals, agents, attorneys, legal counsel, advisors, representatives or predecessors of those in subclauses (i), (ii), (iii) and (iv) of this Section 2.24; and (vi) all successors, executors, assigns, heirs,

legal representatives or administrators of any of those in subclauses (i), (ii), (iii), (iv) and (v) of this Section 2.24.

2.25 "**Settlement Amount**" means the sum of ten million dollars in Canadian funds (CDN \$10,000,000.00).

2.26 "**Termination Date**" means the earlier of:

- (i) the Outside Date;
- (ii) the date upon which the Ontario Court dismisses the request for the Approval Order; and
- (iii) if the Approval Order is granted but a court on appeal allows such appeal (or allows an appeal from a dismissal of an appeal from the Approval Order), the date of such allowance of appeal.

For greater certainty, if the Effective Date has occurred prior to the Outside Date, the Termination Date shall not occur.

III. **CONDITIONAL AGREEMENT**

3.1 This Agreement is strictly and expressly conditional on each and all of the following occurring prior the Outside Date:

- (i) the issuance of the Approval Order;
- (ii) the expiry of the time period for taking steps to seek leave to appeal from the Approval Order without any Person having taken such steps to seek leave, or if any such steps have been taken, the dismissal of such request for leave;
- (iii) the expiry of the time period for commencing an appeal from the Approval Order without any Person having commenced such appeal, or, if such appeal has been commenced, the dismissal of such appeal;

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- (iv) the expiry of the time period for taking steps to seek leave to appeal from any such dismissal of appeal without any Person having taken such steps, or, if any such steps have been taken, the dismissal of such request for leave; and
- (v) the expiry of the time period for commencing an appeal from any such dismissal of appeal without any Person having commenced such appeal, or, if such appeal has been commenced, the dismissal of such appeal.

If any or all of the foregoing has not occurred prior to the Outside Date, then, subject to Section VII of this Agreement, this Agreement shall be of no further force or effect and shall be deemed not to have been entered into.

- 3.2 For greater certainty, there is no obligation on the part of Reliance Canada in Liquidation or the Liquidator to take steps to pursue an appeal from a dismissal of the motion seeking the Approval Order, or from the allowance of an appeal from the Approval Order.
- 3.3 No condition of this Agreement may be waived by any one Party only. Any condition of this Agreement may only be waived by the agreement of all Parties in writing.

IV. EFFECTIVE DATE

- 4.1 If the Approval Order is issued, the Effective Date shall be the next business date following the date that is the later of the following:
 - (i) if no steps are taken by any Person to seek leave to appeal from the Approval Order, the last date for taking steps to seek such leave to appeal;
 - (ii) if no Person commences an appeal from the Approval Order, the last date for commencing such appeal;
 - (iii) if no steps are taken by any Person to seek leave to appeal from a dismissal of an appeal from the Approval Order, the last date for taking such steps;
 - (iv) if no appeal is commenced by any Person from a dismissal of an appeal from the Approval Order, the last date for commencing such appeal.

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For greater certainty, if the conditions set out in Section 3.1 of this Agreement are not met prior to the Outside Date, there shall be no Effective Date.

- 4.2 From time to time prior to the Effective Date, ITCAN shall supplement or amend Schedules A, C, E and F to this Agreement with respect to any matter hereafter arising or any information obtained after the date hereof which; if existing, occurring or known at or prior to the date of this Agreement, would have been required to be set out or described in such Schedules to this Agreement or which is necessary to complete or correct any information in such Schedules or in any representation or warranty of ITCAN, which has been rendered inaccurate thereby. ITCAN will have delivered or made available to the Liquidator copies of all documents set out or described in the Schedules to this Agreement, including in respect of any supplements to the Schedules delivered by ITCAN to the Liquidator after the date hereof and as of the Effective Date.

V. PAYMENT OF SETTLEMENT AMOUNT

- 5.1 Within ten business days following the Effective Date, if any, and following receipt of the certificate referenced at Section 9.6 of this Agreement, Reliance Canada in Liquidation shall pay the Settlement Amount to ITCAN or as it may direct.

VI. RELEASES

- 6.1 **Release of Reliance Releasees:** Upon the Effective Date, ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, on their own behalves and on behalf of all the ITCAN Entities, fully, finally, irrevocably and completely release, remise, acquit, forgive and forever discharge the Reliance Releasees of and from any and all Claims including without limitation the Policy Claims.
- 6.2 **Release of the ITCAN Entities:** Upon the Effective Date, Reliance Canada in Liquidation fully, finally, irrevocably and completely remises, releases, acquits, forgives and forever discharges the ITCAN Entities of and from any and all Claims in respect of the Policies including but not limited to any Claims that could result in an obligation to pay or repay the Settlement Amount, or any part thereof, or any other amount, to any Reliance

Releasee or any of their reinsurers or retrocessionaires, and any Claims in respect of any action, inaction, representation or omission that predates this Agreement.

VII. TERMINATION:

7.1 Upon the Termination Date:

7.1.1 this Agreement shall be at an end, and no Party shall be bound by any of its terms except the terms of this Section VII or as may otherwise be specified in this Agreement;

7.1.2 this Agreement and all negotiations, statements, documents, and proceedings relating thereto shall be without prejudice to the rights of Reliance Canada, Reliance Canada in Liquidation and the ITCAN Entities, who shall be restored to their respective positions existing immediately before this Agreement was entered into;

7.1.3 this Agreement and the fact of its negotiation and execution and any related documents, including in connection with seeking the Approval Order, shall not constitute any admission by any of the ITCAN Entities, Reliance Canada or Reliance Canada in Liquidation, or be used against any of them for any purpose in any proceeding and, without limiting the generality of the foregoing, shall not constitute an admission or be used by any Person in an effort to create, prove or interpret the obligations of Reliance Canada and/or Reliance Canada in Liquidation under, or the terms and conditions of, any applicable Policy or other contract of insurance or otherwise;

7.1.4 only the following sections of this Agreement will survive and continue to have effect:

Section	Heading
II	Definitions
VII	Termination
IX	Representations and Warranties

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Section	Heading
10.2	Interpretation
10.3	Tax Consequences
10.6	Modification
10.7	Waiver
10.8	No Admissions
10.9	Non-Assignment
10.10	Solicitors' Fees
10.11	Headings
10.12	Notices
10.13	Counterparts
10.16	Entire Agreement
10.18	Governing Law
10.19	Jurisdiction and Forum
10.20	Language

VIII. GENERAL

- 8.1 **Uncertainty:** The Parties understand and acknowledge and assume all risk, chance or hazard, including with respect to the following, and nevertheless agree to this Agreement and to the scope of the releases set forth herein:
- 8.1.1 Claims (including without limitation the Policy Claims) that have been or could be asserted against them may increase or decrease in amount or in severity over time;
- 8.1.2 Claims (including without limitation the Policy Claims) that have been or could be asserted against them may include progressive, cumulative, unknown, and/or unforeseen elements, and that there may be hidden, unknown, and unknowable damages, defense expenses, or other costs related to such Claims (including without limitation the Policy Claims); and
- 8.1.3 Claims (including without limitation the Policy Claims) to which this Agreement pertains may be or become different in nature, scope or character from those that

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are now known, anticipated, alleged or expected and that they may be mistaken as to the character and extent of those Claims, injuries or damages.

- 8.2 **Full Force and Effect:** The Parties hereto expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those dealing with unknown and unsuspected claims, demands, and causes of action. In furtherance of their express intent to fully, finally, irrevocably and completely release as set out above, the Parties expressly waive any and all rights they may have under any contract, statute, code, regulation, ordinance, or at civil, or common law or in equity, which may limit or restrict the effect of a general release referenced in Sections 6.1 and 6.2 hereof as to Claims, including without limitation the Policy Claims, that they do not know or suspect to exist in their favour at the time of the execution of this Agreement.
- 8.3 **Waiver:** Reliance Canada and Reliance Canada in Liquidation hereby waive any rights of subrogation, unjust enrichment, contribution and indemnity, based in law or in equity or otherwise, that they may have, that they may obtain now or in the future, or that may accrue to them now or in the future, as against any other insurer of ITCAN in respect of the payment of the Settlement Amount. Nothing in this paragraph limits or is intended to limit the rights of Reliance Canada and Reliance Canada in Liquidation against their own reinsurers or retrocessionaires.
- 8.4 **Notice:** Notice of proceedings to seek the Approval Order shall be given to counsel representing the plaintiffs in each Action, each of the Primary and Excess Carriers named in Schedule "E", each of the Other Insurers named in Schedule "F", each of those persons currently entitled to service in the winding-up proceeding of Reliance Canada in the Ontario Court, and such other Persons, and in such manner, as the Ontario Court in the winding-up proceeding for Reliance Canada shall direct upon motion for directions by the Liquidator.
- 8.5 **Cooperation:** The Parties consent to and will cooperate with each other to pursue the Approval Order. Reliance Canada in Liquidation shall have carriage of the proceedings to seek the Approval Order.

- 8.6 **ITCAN Cooperation:** ITCAN agrees to provide, or cause to be provided to Reliance Canada in Liquidation information, documentation and reasonable cooperation, if requested, in order to assist Reliance Canada in Liquidation responding to any Claim that may be brought by a Person against any Reliance Releasee in connection with a Claim relating to any ITCAN Entities. ITCAN further acknowledges and agrees that it will not take any steps to in any way prejudice the discharge of the Liquidator.

IX. REPRESENTATIONS AND WARRANTIES

- 9.1 Each Party separately represents and warrants that:

9.1.1 it has fully and carefully read and understood this Agreement, knows the contents thereof and has received the advice of independent legal counsel of its own choosing in connection with the Agreement or has had the opportunity to obtain such advice;

9.1.2 it is not executing this Agreement as a result of financial disadvantage;

9.1.3 it has full power and authority to enter into and deliver this Agreement and, in the case of ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited, full power and authority to bind the ITCAN Entities to the terms of this Agreement;

9.1.4 the individual(s) signing this Agreement on behalf of that Party is fully authorized to do so;

9.1.5 it has not sold, assigned, transferred, conveyed, or otherwise disposed of its rights and interests in the Policies;

9.1.6 this Agreement is enforceable in accordance with its terms; and

9.1.7 this Agreement has been negotiated and analyzed by its counsel and has been executed and delivered in good faith, and for valuable consideration.

- 9.2 Each of Reliance Canada in Liquidation and ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited represents and warrants that it has conducted a search of its

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records and, as of the date upon which this Agreement is signed, is unaware of any primary, umbrella or excess liability policies issued to ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited by Reliance Canada other than the Policies.

- 9.3 ITCAN represents and warrants that it has conducted a search of its records and that Schedule "E" fully and accurately sets out each of the Primary and Excess Carriers and that Schedule "F" fully and accurately sets out each and all of the Other Insurers.
- 9.4 ITCAN, Imperial Brands Ltd. and Imperial Tobacco Company Limited represent and warrant that Schedule "A" fully and accurately sets out each and every proceeding against any of them in respect of which they do, could or might seek coverage, indemnity or other relief under or in respect of any of the Policies, up to and including the Effective Date.
- 9.5 Reliance Canada in Liquidation and the Liquidator represent and warrant that no claim will be asserted against the reinsurers of Reliance Insurance Company, Reliance Canada and/or Reliance Canada in Liquidation and each of their retrocessionaires seeking contribution or payment, in whole or in part, in respect of payment of the Settlement Amount.
- 9.6 Each of the representations and warranties made in or pursuant to this Agreement shall be true and correct at the Effective Date with the same force and effect as if made at the Effective Date, and each of the Parties shall have delivered to the other Party immediately following the Effective Date and prior to payment of the Settlement Amount a certificate dated the Effective Date, duly executed in the form of the certificate at Schedule "G" to this Agreement. The receipt of such certificate shall not be deemed to be a waiver of the representations and warranties by either Party contained in this Agreement, which representations and warranties shall continue in full force and effect.

X. MISCELLANEOUS

10.1 **Binding Resolution:** Subject to all of the terms of this Agreement:

- 10.1.1 this Agreement is a permanent, complete and binding accord and resolution of all of the rights, claims, questions, differences and obligations of the ITCAN Entities and the Reliance Releasees, including without limitation the disputed Claims,

including the Policy Claims, existing or which may exist in the future with respect to any and all matters which are the subject of this Agreement; and

10.1.2 this Agreement shall be binding upon and enure to the benefit of the Parties, the ITCAN Entities and Reliance Canada, and their respective officers, directors, agents, employees, heirs, successors, administrators, transferees, assigns and legal representatives.

10.2 Interpretation:

10.2.1 This Agreement is not an insurance contract and no special rules of construction should apply to this Agreement.

10.2.2 This Agreement reflects the joint drafting efforts of legal counsel for the Parties. In the event that any dispute, disagreement or controversy arises regarding this Agreement the Parties shall be considered joint authors and no provision shall be interpreted against any Party because of authorship. There shall be no presumption or construction against any Party. Each Party expressly waives reliance on the doctrine of *contra proferentem* in respect of this Agreement.

10.2.3 In this Agreement, where applicable, the singular includes the plural and vice versa.

10.3 Tax Consequences: Each of ITCAN, Imperial Brands Ltd, and Imperial Tobacco Company Limited (i) expressly acknowledges on its own behalf and on behalf of the ITCAN Entities that no Reliance Releasee warrants or represents any tax consequences of this Agreement and that it is relying on its own legal and/or tax advisors and not on any Reliance Releasee in that regard, and (ii) expressly acknowledges and understands that it shall be solely liable for, and shall pay, any and all taxes, costs, interest, assessments, penalties or other losses related to any tax obligations or liabilities to which it may be subject by reason of the Settlement Amount or any benefit received by it pursuant to this Agreement.

10.4 Implementation: Subject to Section 3.2 of this Agreement, each Party agrees to take such steps and to execute any documents as may be reasonably necessary or proper to effectuate

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the purpose and intent of this Agreement and to preserve its validity and enforceability. In the event that any action or proceeding of any type whatsoever is commenced or prosecuted by any Person not a Party hereto to invalidate, interpret, or prevent the validation, enforcement, or carrying out of all or any of the provisions of this Agreement, the Parties mutually agree, represent, warrant, and covenant to cooperate in opposing such action or proceeding.

10.5 **Enforcement:** Any Party may seek specific performance to enforce the terms of this Agreement.

10.6 **Modification:** This Agreement may not be amended, altered or modified except by a written agreement duly executed by the Parties.

10.7 **Waiver:**

10.7.1 No breach of this Agreement can be waived unless done in writing.

10.7.2 Waiver of one breach shall not be deemed to be waiver of any other breach of the same or any other provision hereof.

10.8 **No Admissions:**

10.8.1 This Agreement represents a compromise of disputed claims and shall not be or be deemed to be an admission or concession of liability, culpability, or wrongdoing.

10.8.2 Any evidence of the terms of or the execution of this Agreement or negotiations or discussions associated with this Agreement, and any related documents including in connection with seeking the Approval Order, shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations, except in (a) an action or proceeding between the Parties to enforce the terms of this Agreement, or (b) any action or proceeding between a Reliance Releasee and any of its reinsurers or retrocessionaires or any Person described in subparagraph 3(ii) of the Approval Order.

- 10.8.3 This Agreement, and the fact of its negotiation and execution and any related documents, including in connection with seeking the Approval Order, shall not be used as evidence or in any other manner against any Reliance Releasee in any court or dispute resolution proceeding, to create, prove, or interpret any Reliance Releasee's obligations whatsoever including but not limited to obligations under the Policies.
- 10.8.4 Nothing contained in this Agreement and nothing in connection with the negotiation and execution thereof, including in connection with seeking the Approval Order, shall be deemed or construed to constitute (a) an admission by any Reliance Releasee that any ITCAN Entities or any other Person was or is entitled to any insurance coverage under the Policies or as to the validity of any of the positions that have been or could have been asserted; (b) an admission by any ITCAN Entities as to the validity of any of the positions or defenses to coverage that have been or could have been asserted by any Reliance Releasee; or (c) an admission of any liability whatsoever with respect to any of the Actions; or (d) an admission as to the effect, if any, of certain of the Proofs of Claim being filed after the date set for filing by Order of the Ontario Court made August 3, 2010.
- 10.8.5 This Agreement and any and all statements or covenants herein shall be deemed subject to any and all legal and/or statutory protections afforded to compromises and offers to compromise.
- 10.9 **Non-Assignment:** Except as specifically provided in this Agreement, neither this Agreement nor the rights and obligations set forth herein may be assigned.
- 10.10 **Solicitors' Fees:** Each Party shall bear its own solicitors' fees and costs incurred in connection with the negotiation and drafting of this Agreement and the seeking of the Approval Order.
- 10.11 **Headings:** Section titles or headings contained in this Agreement are included only for ease of reference and shall have no substantive effect.

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10.12 **Notices:** All notices, demands, or other communication to be provided pursuant to this Agreement shall be in writing and sent by facsimile or by Federal Express or other overnight delivery service, costs prepaid, to the Parties at the addresses set forth below, or to such other Person or address as any of them may designate in writing from time to time:

If to the Liquidator:

Nick Brearton and Janine Bradley
KPMG Inc.
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada

With a copy to:

Graham Smith and Francy Kussner
Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto ON M5H 2S7
Canada

If to ITCAN, Imperial Brands Ltd. or Imperial Tobacco Company Limited:

Imperial Tobacco Canada Limited/
Imperial Tobacco Company Limited
Attn: V-P Law/General Counsel
3711 Saint-Antoine St.
Montreal, Quebec
H4C 3P6

With a copy to:

Deborah Glendinning and John MacDonald
Osler, Hoskin & Harcourt LLP
1 First Canadian Place, 100 King Street West
Suite 6100, P.O. Box 50
Toronto ON M5X 1B8
Canada

10.13 **Counterparts:** This Agreement may be executed in multiple counterparts, all of which together shall constitute one and the same instrument. This Agreement may be executed

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and delivered by facsimile or e-mail (PDF), which facsimile or e-mail (PDF) counterparts shall be deemed to be originals.

- 10.14 **Third Party Beneficiaries:** All of the Reliance Releasees and the ITCAN Entities are intended beneficiaries of this Agreement. Except as set forth in the prior sentence or otherwise set forth in this Agreement, there are no third party beneficiaries of this Agreement.
- 10.15 **Injunctive Relief:** It is acknowledged that irreparable injury may result in the event of a breach of this Agreement, and in the event of such a breach, or the threat thereof, the aggrieved party shall be entitled, in addition to any otherwise available legal and/or equitable remedies and without a showing of actual damage, to temporary or permanent injunctive or other equitable relief to restrain and/or enjoin any actual, prospective or threatened violation of this Agreement.
- 10.16 **Entire Agreement:** Each Party acknowledges that:
- 10.16.1 this Agreement embodies the entire agreement in respect of the Claims which are the subject matter hereof, including without limitation the Policy Claims, and the resolution of the matters described herein;
 - 10.16.2 no representations, promises or inducements of any kind have been made by any Party or officer, employee or agent of any Party, other than those set out in this Agreement;
 - 10.16.3 it has not executed this Agreement in reliance upon any promise, representation or warranty not set out in this Agreement;
 - 10.16.4 any and all prior negotiations, representations and promises made by one Party to another, whether orally or in writing, are merged in this Agreement.
- 10.17 **Recitals:** The Recitals are true and correct and constitute an integral and fundamental part of this Agreement.

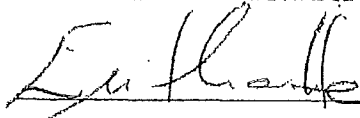
10.18 **Governing Law:** The interpretation and enforcement of this Agreement shall be governed by the laws of Ontario and any applicable Federal legislation of Canada without regard to that jurisdiction's choice of law rules or principles.

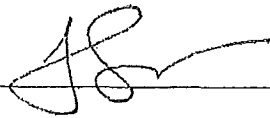
10.19 **Jurisdiction and Forum:** Except as otherwise specified in this Agreement, any proceedings arising out of or relating in any manner whatsoever to this Agreement shall be conducted in the Ontario Court in the winding-up proceedings for Reliance Canada, in the City of Toronto. The Parties hereby consent and submit to the exclusive jurisdiction of said Ontario Court.

10.20 **Language:** The Parties hereto have requested that this Agreement (as well as all notices to be sent pursuant thereto) be drafted in the English Language. Les Parties, par les présentes, déclarent qu'elles ont demandé et convenu que cette entente soit rédigée en anglais seulement.


IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the last date indicated below.

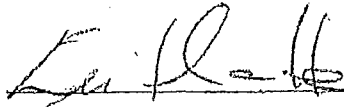
IMPERIAL TOBACCO CANADA LIMITED -
IMPERIAL TOBACCO CANADA LIMITEE

By: 
Name: Eric Thauvette
Title: VICE-PRESIDENT & CFO
Date: JUNE 17, 2015


By: 
Name: Tamara Gitto
Title: Vice-President, Law
Date: JUNE 17, 2015

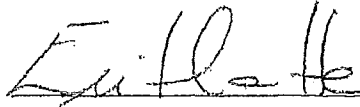
IMPERIAL BRANDS LTD.


Tamara Gitto
Director
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, vice-President & Treasurer
Date: June 17, 2015

IMPERIAL TOBACCO COMPANY LIMITED.


Tamara Gitto
Director & vice-President Law
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, vice-President & CFO
Date: June 17, 2015

RELIANCE CANADA IN LIQUIDATION, BY ITS LIQUIDATOR, KPMG INC.

By: _____
Name: Nicholas Brearton
Title: President, KMPG Inc.
Date: _____

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IMPERIAL BRANDS LTD.

By: _____
Name: _____
Title: _____
Date: _____

**IMPERIAL TOBACCO COMPANY
LIMITED.**

By: _____
Name: _____
Title: _____
Date: _____

**RELIANCE CANADA IN LIQUIDATION, BY
ITS LIQUIDATOR, KPMG INC.**

By: N Breart
Name: Nicholas Brearton
Title: President, KMPG Inc.
Date: June 17, 2015

SCHEDULE "A"

1. Ontario Court (General Division), bearing Action No.: C17773/97 (the Action No. was changed to 06-CV-309667PD3 as a result of the matter being moved from Milton to Toronto) filed on or about May 1, 1997, by Mirjana Spasic as a Statement of Claim naming Imperial Tobacco Limited as a defendant;
2. Supreme Court of British Columbia, bearing Action No.: S010421 filed on or about January 24, 2001, by Her Majesty The Queen in Right of British Columbia as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
3. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000070-983. On or about September 3, 1998, Cécilia Létourneau filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 Létourneau filed a Motion to Institute Class Action Proceedings;
4. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000076-980. On or about November 18, 1998, the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion to Institute Class Action Proceedings;
5. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 1036 of 2009, filed on or about July 10, 2009 by Thelma Adams as a Notice of Motion for Certification naming Imperial Tobacco Canada Limited as a defendant;
6. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 916 of 2009, filed on or about June 12, 2009 by Thelma Adams as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
7. Court of Queen's Bench of Alberta, Judicial District of Calgary, bearing Action No.: 0901-08964, filed on or about June 15, 2009 by Linda Dorion as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
8. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI09-01-61479, filed on or about June 2009 by Deborah Kunta as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
9. Court of Queen's Bench of New Brunswick, Trial Division, Judicial District of Fredericton, bearing Action No.: F/C/88/08 filed on or about March 13, 2008, by Her Majesty the Queen in Right of The Province of New Brunswick as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited;

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10. Ontario Superior Court of Justice, bearing Action No.: CV-09-387984 filed on or about September 29, 2009, by her Majesty The Queen in Right of Ontario as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
11. Supreme Court of Nova Scotia, bearing Action No.: 312869 filed on or about June 18, 2009, by Ben Semple as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
12. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 10-2780, filed on or about June 25, 2010, by Barbara Bourassa on behalf of the Estate of Mitchell David Bourassa, as a Writ of Summons & Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
13. Supreme Court of British Columbia, Victoria Registry, bearing Action No.: 10-2769, filed on or about June 25, 2010, by R. McDermid as a Writ of Summons and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
14. Ontario Superior Court of Justice, bearing Action No.: CV-10-14709, filed on or about December 2, 2009, by The Ontario Flue-Cured Tobacco Growers' Marketing Board, Andy J. Jacko, Brian Baswick, Ron Kichler and Arpad Dobrentey as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
15. Ontario Superior Court of Justice, bearing Action No.: 00-CV-196070, filed on or about August 15, 2000, by Ronald McIntyre, by his estate representative, Maureen McIntyre as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
16. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 961769, filed on or about March 20, 1996, by David Brian Rowland as a Writ of Summons naming Imperial Brands Ltd. as a defendant;
17. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 031300, filed on or about May 8, 2003, by Kenneth Knight as a Writ of Summons naming Imperial Tobacco Canada Limited as a defendant; and
18. Supreme Court of Nova Scotia, bearing Action No.: 177663 filed on or about September 5, 2002, by Peter Stright, as an Amended Originating Notice naming Imperial Tobacco Company Limited as a defendant.
19. Ontario Court General Division, bearing Action No.: 97-CU-121572 filed by Meditrust Healthcare Inc., naming Shoppers Drug Mart, a division of Imasco Retail Inc., as a defendant.
20. Ontario Superior Court of Justice, bearing Action No.: 00-CV-183165 filed by Jasmine Ragoonanan et al., naming Imperial Tobacco Canada Limited as a defendant.
21. Supreme Court of Newfoundland and Labrador, Trial Division, bearing Action No.: 2011 OIG. No. 0826 filed by Attorney General of Newfoundland and Labrador, naming Imperial Tobacco Canada Limited as a defendant.

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22. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI 12-01-78127, filed by Her Majesty the Queen in Right of The Province of Manitoba naming Imperial Tobacco Canada Limited as a defendant.
23. Alberta Court of Queen's Bench, bearing Action No.: 1201-07314 filed by Her Majesty in Right of Alberta, naming Imperial Tobacco Canada Limited as a defendant.
24. Quebec Superior Court, District of Montreal, bearing Action No.: 500-17-072363-123 filed by Attorney General for the Province of Quebec, naming Imperial Tobacco Canada Limited as a defendant.
25. Ontario Superior Court of Justice, bearing Action No.: 53-794 of 2012, filed by Suzanne Jacklin, naming Imperial Tobacco Canada Limited as a defendant.
26. Supreme Court of Prince Edward Island General Section, bearing Action No.: S1-GS-25019 filed by Her Majesty the Queen in Right of the Province of Prince Edward Island, naming Imperial Tobacco Canada Limited as a defendant.
27. Supreme Court of Nova Scotia, bearing Action No.: 434868, filed by Her Majesty the Queen in Right of the Province of Nova Scotia naming Imperial Tobacco Canada Limited as a defendant.
28. Saskatchewan Court of Queens Bench, bearing Action No.: 871 of 2012 filed by the Government of Saskatchewan naming Imperial Tobacco Canada Limited as a defendant.

SCHEDULE "B"

Insurer	Policy	Policy Period
Reliance Insurance Company	7001361	04/01/1990 - 04/01/1991
Reliance Insurance Company	7001645	04/01/1991 - 04/01/1992
Reliance Insurance Company	7001994	04/01/1992 - 04/01/1993
Reliance Insurance Company	7002396	04/01/1993 - 04/01/1994
Reliance Insurance Company	7002872	04/01/1994 - 04/01/1995
Reliance Insurance Company	TGL0000112	04/01/1995 - 04/01/1996
Reliance Insurance Company	TGL0000113	04/01/1995 - 04/01/1996
Reliance Insurance Company	TXL0000875	04/01/1996 - 04/01/1997
Reliance Insurance Company	TXL0000875	04/01/1997 - 04/01/1998
Reliance Insurance Company	TXL0002374	04/01/1998 - 04/01/1999
Reliance Insurance Company	TXL0002374	04/01/1999 - 04/01/2000

SCHEDULE "C"

	Policyholder Name	Policy Number	Date of Policy	Court File No.
1.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996	C961769
2.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998	C17773/97
3.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	500-06-000070-983
4.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994	500-06-000076-980

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	
5.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	00-CV-196070
6.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	S010421
7.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993	17766

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	
8.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	L 03 1300
9.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1997 - 04/01/1998 04/01/1999 - 04/01/2000	F/C/88/08
10.	Imperial Tobacco Canada Ltd.	7001361 7001645	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992	CI09-01-61479

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	
11.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	916 of 2009
12.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	1036 of 2009
13.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	0901-08964

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	
14.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	312869 2009
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	
15.	Imperial Tobacco Canada Ltd.	7001361	04/01/1990 – 04/01/1991	CV-09-387984
		7001645	04/01/1991 – 04/01/1992	
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1999 – 04/01/2000	

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
16.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	CV-10-14709
17.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998 04/01/1999 – 04/01/2000	10-2780
18.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 TXL0002374	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1997 – 04/01/1998	10-2769

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		TXL0002374	04/01/1999 - 04/01/2000	
19.	Imperial Tobacco Canada Ltd.	7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998	97-CU-121572
20.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998	00-CV-183165
21.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998	2011 OLG No. 0826

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	
22.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	CI 12-01-78127
23.		7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	1201-07314

	Policyholder Name	Policy Number	Date of Policy	Court File No.
		Renewal Certificate dated April 21, 1998		
24.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1998 – 04/01/1999 04/01/1999 – 04/01/2000	500-17-072363-123
25.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 – 04/01/1991 04/01/1991 – 04/01/1992 04/01/1992 – 04/01/1993 04/01/1993 – 04/01/1994 04/01/1994 – 04/01/1995 04/01/1995 – 04/01/1996 04/01/1995 – 04/01/1996 04/01/1996 – 04/01/1997 04/01/1997 – 04/01/1998 04/01/1998 – 04/01/1999 04/01/1999 – 04/01/2000	53794 of 2012

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
26.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	S1-GS-25019
27.	Imperial Tobacco Canada Ltd.	7001361 7001645 7001994 7002396 7002872 TGL0000112 TGL0000113 TXL0000875 TXL0000875 Renewal Certificate dated March 17, 1998 TXL0002374 TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992 04/01/1992 - 04/01/1993 04/01/1993 - 04/01/1994 04/01/1994 - 04/01/1995 04/01/1995 - 04/01/1996 04/01/1995 - 04/01/1996 04/01/1996 - 04/01/1997 04/01/1997 - 04/01/1998 04/01/1998 - 04/01/1999 04/01/1999 - 04/01/2000	434868
28.	Imperial Tobacco Canada Ltd.	7001361 7001645	04/01/1990 - 04/01/1991 04/01/1991 - 04/01/1992	871 of 2012

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	Policyholder Name	Policy Number	Date of Policy	Court File No.
		7001994	04/01/1992 – 04/01/1993	
		7002396	04/01/1993 – 04/01/1994	
		7002872	04/01/1994 – 04/01/1995	
		TGL0000112	04/01/1995 – 04/01/1996	
		TGL0000113	04/01/1995 – 04/01/1996	
		TXL0000875	04/01/1996 – 04/01/1997	
		TXL0000875 Renewal Certificate dated March 17, 1998	04/01/1997 – 04/01/1998	
		TXL0002374	04/01/1998 – 04/01/1999	
		TXL0002374 Renewal Certificate dated April 21, 1998	04/01/1999 – 04/01/2000	

SCHEDULE "D"

Court File No. 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

THE HONOURABLE) DAY, THE DAY
)
) OF , 2015

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, made by KPMG Inc., in its capacity as Liquidator ("Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), for an Order approving the Full and Final Settlement and Release Agreement (the "Agreement"), a copy of which is attached as Schedule "A" hereto, and for other related relief, was heard this day at Toronto, Ontario.

ON READING the Report of the Liquidator dated (the "Report"), and upon hearing the submissions of counsel for , no other party appearing although duly served in accordance with the Order for Directions made ,

1. **THIS COURT ORDERS AND DECLARES** that the service of the Notice of Motion and materials herein has been effected in accordance with the Order for Directions made and is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS AND DECLARES** that:

- (i) capitalized terms used in this Order and not otherwise defined in this Order shall bear the same meaning as in the Agreement;
- (ii) the Agreement is hereby approved, the execution, delivery and performance of the Agreement by the Liquidator is authorized and approved, and the Liquidator is hereby authorized to take such steps and acts and to execute such additional documents as are contemplated, necessary or desirable to give effect to the Agreement ; and
- (iii) the fact that this Order does not describe or include any particular provision of the Agreement shall not diminish or impair the effectiveness of such provision, it being the intent that the Agreement be approved in its entirety.

3. **THIS COURT ORDERS AND DECLARES** that upon the occurrence, if any, of the Effective Date and the unconditional payment of the Settlement Amount to ITCAN or as it may direct in accordance with the Agreement:

- (i) all Claims of ITCAN and the ITCAN Entities against all Reliance Releasees, including without limitation the Policy Claims, are and shall be deemed to be fully, finally, irrevocably and completely released, remised, acquitted, forgiven and forever discharged and all Proofs of Claim shall be deemed to be fully and finally withdrawn, discharged and without any force

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or effect, and ITCAN shall be deemed not to have filed any claims in the winding-up of Reliance Canada;

- (ii) any and all Claims against the Reliance Releasees of any and all Claimants, Primary and Excess Carriers, Other Insurers and any Person who asserts or could assert any Claim against the Reliance Releasees, in respect of, or arising out of, pursuant to, or in any way connected with the Policies, including without limitation any Claim pursuant to the direct action provisions of the *Civil Code of Québec* or any other statutory provisions granting direct rights of recovery, and whether arising at law, in equity, by statute, civil law, common law, contract, ordinance, or otherwise, reported or unreported, are and shall be deemed to be fully, finally, irrevocably and completely released, remised, acquitted, forgiven and forever discharged;
- (iii) if, in respect of a claim against any ITCAN Entities, such ITCAN Entities seek indemnity under any insurance policy that is excess to any Policy, then, once an amount equal to the limits of the Policy has been paid on the claim, including by any ITCAN Entities, the limits of such Policy shall be considered to have been paid for purposes of such excess policy.

4. **THIS COURT ORDERS** that the Agreement shall be binding on any monitor, trustee in bankruptcy, liquidator or receiver or the like that may be appointed in respect of any of the ITCAN Entities, and shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction at law, or in equity or under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct at law, or in equity or pursuant to any applicable federal or provincial legislation.

5. **THIS COURT ORDERS** that upon the occurrence of the Effective Date, the Liquidator shall forthwith file a Certificate with this Court substantially in the form of Schedule "●" attached thereto, advising of the occurrence of the Effective Date. In the event the Effective Date does not occur, then upon the Termination Date the Agreement shall be at an end, on the terms provided in Section 7.1 of the Agreement.

- 4 -

6. **THIS COURT ORDERS** that the Agreement and the settlement provided for therein shall not constitute an admission regarding the validity of the Claims or defences resolved by the Agreement or that there is any liability in connection with those Claims or defences.

7. **THIS COURT ORDERS** that the Parties may, but are under no obligation to, extend the Outside Date.

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere, to give effect to this Order and to assist the Liquidator and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Liquidator, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Liquidator in any foreign proceeding, or to assist the Liquidator and its agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that the Liquidator be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SCHEDULE "E"

Royal Insurance Company of Canada

The Commonwealth Insurance Company

Zurich Insurance Company

Guardian Insurance Company of Canada

Continental Insurance Company of Canada

CIGNA Insurance Company of Canada

Liberty Mutual Insurance Company

American Home Assurance Company

SCHEDULE "F"

Lloyd's of London

Chartis Insurance Company of Canada

AIG Commercial Insurance Company of Canada

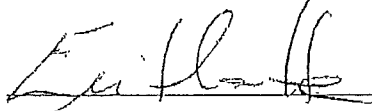
American Home Insurance Company

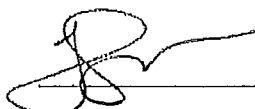
SCHEDULE "G"

CERTIFICATE OF REPRESENTATIONS AND WARRANTIES

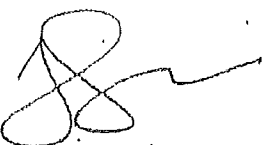
WHEREAS THE Effective Date under the Full & Final Settlement and Release Agreement has occurred and the Settlement Amount is payable following the execution of this Certificate, the parties hereto, confirm that the representations and warranties made in or pursuant to the Full & Final and Release Agreement are true and correct as at the Effective Date all in accordance with Article 9.6 thereof.

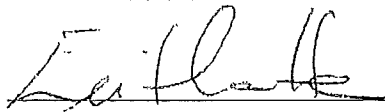
IMPERIAL TOBACCO CANADA LIMITED -
IMPERIAL TOBACCO CANADA LIMITEE

By: 
Name: Eric Thauvette
Title: vice President & CFO
Date: June 17, 2015


By: 
Name: Tamara Gitto
Title: Vice-President, Law
Date: June 17, 2015


IMPERIAL BRANDS LTD.


Tamara Gitto
Director
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, Vice-President & Treasurer
Date: June 17, 2015

IMPERIAL TOBACCO COMPANY LIMITED


Tamar Gatto
Director & Vice-President, Law
June 17, 2015

By: 
Name: Eric Thauvette
Title: Director, Vice-President & CFO
Date: June 17, 2015

RELIANCE CANADA IN LIQUIDATION, BY
ITS LIQUIDATOR, KPMG INC.

By: _____
Name: Nicholas Brearton
Title: President, KMPG Inc.
Date: _____

K

SCHEDULE "K"
**PLAINTIFFS (AND WHERE APPLICABLE, MEMBER CLASSES) AND THEIR
 COUNSEL IN THE ITCAN ACTIONS, THE PRIMARY AND EXCESS CARRIERS
 AND THE OTHER INSURERS**

1. **Claim: Spasic**
 Richard J. Sommers QC
Sommers & Roth
 Toronto, ON M4V 2G7
 Tel: (416) 961-1212
 Fax: (416) 961-2827

2. **Claim: British Columbia**
 J.J. Camp, Q.C.
Camp Fiorante
 Matthews Mogerman
 #400 – 856 Homer Street
 Vancouver, BC
 Canada V6B 2W5
 Tel: 604-331-9520
 Fax: (604) 689-7554
 Email: jjcamp@cfmlawyers.ca

3. **Claim: Létourneau and Blais/CQTS**
 Me Philippe H. Trudel
 Me Bruce W. Johnston
Trudel & Johnston
 750 Côte de la Place d'Armes, Bureau 90
 Montréal (Québec) H2Y 2X8
 Attorneys for Plaintiff Cécilia Létourneau

 Me Gordon Kugler
 Me Pierre Boivin
Kugler Kandestin
 1 Place Ville-Marie, Bureau 2101
 Montréal (Québec) H3B 2C6
 Attorneys for Plaintiff Cécilia Létourneau

 Me André Lespérance
 Me Michel Bélanger
Lauzon Bélanger
 286, rue Saint-Paul Ouest, Bureau 100
 Montréal (Québec) H2Y 2A3
 Attorneys for Plaintiff Conseil québécois sur le tabac et la santé and Designated member
 Jean-Yves Blais

Me Marc Beauchemin

de Grandpré Chait

1000, rue de La Gauchetière Ouest, # 2900

Montréal (Québec) H3B 4W5

Attorneys for Plaintiff Conseil québécois sur le tabac et la santé and Designated member

Jean-Yves Blais

4. Same as #3

5. **Claim: Adams**

E.F. Anthony Merchant, QC

Merchant Law Group LLP

#812-363 Broadway Avenue

Winnipeg, MN R3C 3N9

Tel: (306)359-7777

Fax: (306)522-3299

6. Same as #5

7. **Claim: Dorion**

E.F. Anthony Merchant, QC

Merchant Law Group LLP

2401 Saskatchewan Drive

Regina, SK S4P 4H8

Tel: (306)359-7777

Fax: (306)522-3299

8. **Claim: Kunka* (aka Kunta)**

S. Norman Rosenbaum

Merchant Law Group LLP

#812-363 Broadway Avenue

Winnipeg, Manitoba R3C 3N9

Tel: (204) 896-7777

Fax: (204) 982-0771

9. **Claim: New Brunswick Medicaid**

Philippe J. Eddie, Q.C.

Philippe J. Eddie Professional Corporation

37 Rue Archibald

Moncton, NB E1C 5H8

Phone: 506-382-1917

Fax: 506-382-2816

Email: pjeddie@nb.aibn.com

10. **Claim: Ontario Medicaid**
William Manuel
Attorney General for Ontario
Crown Law Office – Civil
8th floor, 720 Bay Street
Toronto, ON M5G 2K1
(416) 326-9855
Bill.Manuel@ontario.ca

Lise G. Favreau
(416) 325-7078
Lise.Favreau@ontario.ca

Kristin Smith
(416) 326-4098
Kristin.Smith@ontario.ca

11. **Claim: Semple**
Casey R. Churko
Merchant Law Group LLP
2401 Saskatchewan Drive
Regina, SK S4P 4H8
Tel: (306)359-7777
Fax: (306)522-3299

12. **Claim: Bourassa**
E.F. Anthony Merchant, QC
Merchant Law Group LLP
531 Quadra Street
Victoria, BC
V8V 3S4
Tel: (250) 385-7777
Fax: (250) 478-9943

13. **Claim: McDermid**
E.F. Anthony Merchant, QC
Merchant Law Group LLP
531 Quadra Street
Victoria, BC
V8V 3S4
Tel: (250) 385-7777
Fax: (250) 478-9943

14. **Claim: Tobacco Growers**
Harvey T. Strosberg, QC
William V. Sasso
SUTTS, STROSBERG LLP
600-251 Goyeau Street
Windsor, ON N9A 6V4
Tel: (519) 561-6228
Fax: (519) 561-6203

15. **Claim: McIntyre**
Rochon Genova
Suite 903
121 Richmond Street West
Toronto, ON M5H 2K1
Tel: (416) 363-1867
Fax: (416) 363-0263

NOTE: Douglas Lennox was the named lawyer on this file. However, Mr. Lennox is no longer with Rochon Genova. No notice of change of counsel has been received.

16. **Claim: Rowland**
Russell V. Stanton
A. TED EWACHTUK & Associates
Marina Place, 8331 River Road
Richmond, BC V6X 1Y1
Tel: 273-1844
Fax: 273-5625

17. **Claim: Knight**
David A. Klein
Klein, Lyons
#1100-1333 West Broadway
Vancouver, BC
V6H 4C1
Fax: (604) 874-7180

18. **Claim: Stright**
David S. Green
Goldberg Thompson
400-1559 Brunswick Street
Sentry Place, P.O. Box 306
Halifax, NS B3J 2N7
Tel: (902) 421-1161
Fax: (902) 425-0266

19. **Claim: Meditrust**
Ronald Manes/David Golden
Torkin, Manes, Cohen and Arbus
151 Yonge Street
Suite 1500
Toronto, ON
M5C 2W7
Tel: (416) 777-5433
Fax: (416) 863-0305

20. **Claim: Ragoonanan**
Joel Rochon
Rochon Genova LLP
Suite 900
121 Richmond Street West
Toronto, ON M5H 2K1
Tel: (416) 363-1867
Fax: (416) 363-0263

21. **Claim: Newfoundland Medicaid**
Glenda Best
Roebathan, McKay, Marshall
34 Harvey Road
5th Floor, Paramount Building
P.O. Box 5236
St. John's, Newfoundland
A1C 5W1
Tel: (709)576-2255
Email: gbest@wrmmlaw.com

22. **Claim: Manitoba Medicaid**
E. William Olson, Q.C.
Thompson, Dorfman, Sweatman LLP
Barristers and Solicitors
2200 – 201 Portage Avenue
Winnipeg, MB R3B 3L3
Tel: 204-934-2534
Fax: 204-934-2534
Email: ewo@tdslaw.com

23. **Claim: Alberta Medicaid**
Sabri Shawa, QC
Jensen Shawa Solomon Duguid Hawkes LLP
800, 304 – 8 Avenue SW
Calgary, AB T2P 1C2
Phone: (403) 571-1520
Fax: (403) 571-1528
Tel: (403) 571-1527
Email: shawas@jssbarristers.ca

Carsten Jensen, QC
Tel:(403)571-1526 jensenc@jssbarristers.ca

Jamie Cuming
Cuming & Gillespie
210, 140 – 10th Ave SE
Calgary, AB T2G 0R1
Tel: (403) 571-0555
Fax: (403) 232-8818
Email: james@cglaw.com

24. **Claim: Québec Medicaid**
Manon Des Ormeaux
Bernard, Roy (Justice-Québec)
1, Notre-Dame East
Suite 8.00
Montreal (Quebec) H2Y 1B6
Telephone: (514) 393-2336
manon.desormeaux@justice.gouv.qc.ca

Me Maryse Lord
Tel: (514) 393-2336
Maryse.lord@justice.gouv.qc.ca

Me André Fauteux
Tel: (514) 393-2336
andre.fauteux@justice.gouv.qc.ca

25. **Claim: Jacklin**
Stephen Osborne
Merchant Law Group LLP
154 James Street
St. Catharines, ON L2R 5C5
Tel: (289) 398-7777
Fax: (289) 398-0777

26. **Claim: Prince Edward Island Medicaid**

J. Gordon MacKay, Q.C.
Carr, Stevenson and MacKay
65 Queen Street East, P.O. Box 522
Charlottetown, P.E.I. C1A 7L1
Tel: (902) 892-4156
Fax: (902) 566-1377
Email: jgmackay@csmlaw.com

27. **Claim: Nova Scotia Medicaid**

John McKiggan, Q.C.
McKiggan Hebert
5670 Spring Garden Road, Suite 903
Halifax, NS B3J 1H
Tel: (902)423-2050
Fax: (902)423-6707

J. Leon, R. Ryan Bell and M. Eizenga
Bennett Jones LLP
3400-One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4
Tel: (416) 863-1200
Fax: (416) 863-1716

A. Michael and J. Virtue
Siskinds LLP
680 Waterloo Street
PO Box 2520
London, ON M6A 3V8
Tel: (519)672-2121
Fax: (519)672-6065

28. **Claim: Saskatchewan**

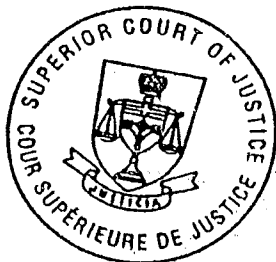
Gary A. Meschishnick, Q.C.
Wallace Meschishnick Clackson Zawada
901 - 119 - 4th Avenue S.
Saskatoon, SK S7K 5X2
Tel: (306) 659-1226
Fax: (306) 933-2006
Email: gary.meschishnick@wmcz.com

Primary and Excess Carriers and Other Insurers

Insurer	Address
Royal Insurance Company of Canada	Royal & Sun Alliance Insurance Company of Canada 18 York Street Suite 800 Toronto, Ontario M5J 2T8
The Commonwealth Insurance Company	Northbridge Insurance 105 Adelaide Street West Suite 700 Toronto, Ontario M5H 1P9
Zurich Insurance Company	Zurich Canada First Canadian Place 100 King Street West Suite 5500 P.O. Box 290 Toronto, Ontario M5X 1C9
Guardian Insurance Company of Canada	Intact Financial Corporation address 700 University Avenue 15 th Floor Toronto, Ontario M5G 0A1
The Continental Insurance Company of Canada	250 Yonge Street Suite 1500 Toronto, Ontario M5B 2L7
Cigna Insurance Company of Canada	ACE INA Insurance 25 York St, Toronto, ON M5J 2V5
Liberty Mutual Insurance Company, as represented in Canada by Liberty International Canada	181 Bay Street Suite 1000 Toronto, Ontario M5J 2T3

Insurer	Address
American Home Assurance Company, Chartis Insurance Company of Canada and AIG Commercial Insurance Company of Canada	AIG Toronto 145 Wellington Street West Toronto, Ontario M5J 1H8
Lloyd's of London	Toronto Office: Royal Bank Plaza South Tower 200 Bay Street Suite 2930, PO Box 51 Toronto, ON M5J 2J2 Montreal Office: Montreal 1155 Metcalfe Street, Suite 2220 Montreal, Quebec H3B 2V6

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Court File No. 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

THE HONOURABLE JUSTICE
 NEWBOULD

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WEDNESDAY, THE 15th DAY

OF JULY, 2015

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

DIRECTIONS ORDER

(Motion for directions in respect of approval motion re: settlement: Imperial Tobacco Canada Limited, Imperial Brands Ltd. and Imperial Tobacco Company Limited policies)

THIS MOTION, made by KPMG Inc., in its capacity as Liquidator ("Liquidator") of the insurance business of Reliance Insurance Company in Canada ("Reliance Canada"), for directions for notice and service, and related relief, in respect of the ITCAN Approval Motion (as defined below) was heard this day at 330 University Avenue, Toronto.

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ON READING the Report of the Liquidator dated July 7, 2015 (the "**Directions Report**"), and upon hearing the submissions of counsel for the Liquidator and counsel for Imperial Tobacco Canada Limited ("**ITCAN**"), Imperial Brands Ltd. and Imperial Tobacco Company Limited, no other party appearing although properly served as evidenced by the proof of service filed,

1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials for this motion for directions in respect of the proposed motion ("**ITCAN Approval Motion**") by the Liquidator to seek approval of a Full and Final Settlement and Release Agreement between Reliance Canada in Liquidation and ITCAN dated June 17, 2015 (the "**ITCAN Agreement**"), and related relief, is good and sufficient notice of this motion, that this motion is properly returnable today and any further service or notice is hereby dispensed with.
2. **THIS COURT ORDERS** that notice and service in respect of the ITCAN Approval Motion may be made as follows, and shall be effective and sufficient if so made:
 - (i) on each of the named plaintiffs and members of plaintiff classes in the actions as set out in Schedule "A" hereto (the "**ITCAN Actions**"), by e-mailing or posting by regular mail the motion record in support of the ITCAN Approval Motion (the "**Liquidator's Motion Record**"), on or before August 19, 2015, to the respective plaintiff counsel in the ITCAN Actions;
 - (ii) on the federal government and territorial governments not already included as plaintiffs in the ITCAN Actions, by posting by regular mail the Liquidator's Motion Record, on or before August 19, 2015, to:

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- a. in the case of the Government of Canada: Office of the Deputy Attorney General of Canada, 284 Wellington Street, Ottawa, Ontario, K1A 0H8;
 - b. in the case of the Yukon Territory: Department of Justice, Legal Services Branch, Government of Yukon, Box 2703 (J-2), Whitehorse, Yukon, Y1A 2C6
 - c. in the case of the Northwest Territories: Department of Justice, Government of the Northwest Territories, P.O. Box 1320, Yellowknife, Northwest Territories, X1A 2L9; and
 - d. in the case of the Nunavut Territory: Adrienne Silk, Director of Legal and Constitutional Law, Government of Nunavut, Bld. 1107, P.O. Box 1000 Station 540, Iqaluit, Nunavut, X0A 0H0.
- (iii) on the Primary and Excess Carriers and Other Insurers, as defined in the ITCAN Agreement and set out on Schedule "B" hereto, by e-mailing or posting by regular mail the Liquidator's Motion Record, on or before August 19, 2015, to them at their respective addresses;
- (iv) on ITCAN and on persons on the service list maintained by the Liquidator in the winding-up proceedings of Reliance Canada, by e-mailing or posting by regular mail the Liquidator's Motion Record, on or before August 19, 2015, to such persons or, where applicable, their counsel;
- (v) on all the foregoing, as well as anyone who asserts or could assert any claim against the Reliance Releasees as defined in the ITCAN Agreement in respect of, arising out of, pursuant to or in any way connected with the Policies, as defined in the ITCAN Agreement, by posting the Liquidator's Motion Record, on or before August 19, 2015, on the Liquidator's website at www.relianceinsurance.ca, and by publication, on or before August 19, 2015, of a notice in the English language ("**ITCAN English Publication**") substantially in the form attached as

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Schedule "C" hereto and of a notice in the French language ("ITCAN French Publication") substantially in the form attached as Schedule "D" hereto, as follows:

- i. in the case of the ITCAN English Publication, in the national edition of *The Globe and Mail* and in *The Toronto Star* newspapers, the *Canada Gazette* and the official Gazette of each of the provinces, other than the Province of Québec; and
 - ii. in the case of the ITCAN French Publication in the *La Presse* newspaper, the *Canada Gazette* and the official Gazette of each of the provinces.
3. **THIS COURT ORDERS** that any person who intends to appear and make submissions at the hearing of the ITCAN Approval Motion shall serve a Notice of Appearance in the form attached as Schedule "E" hereto on counsel for the Liquidator, so as to be received by such counsel on or before September 16, 2015, as set out below:

Goodmans LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Graham D. Smith
Fax: (416) 979-1234
Email: gsmith@goodmans.ca

with a copy to:

Goodmans LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Attention: Fanny Paquette

- 5 -

Fax: (416) 979-1234
Email: fpaquette@goodmans.ca

4. **THIS COURT ORDERS** that, on or before September 18, 2015, the Liquidator shall provide by e-mail, to all those who have served a Notice of Appearance (the “**Responding Parties**”) in accordance with this Order, a list of the Responding Parties and their contacts for service as set out in the Notices of Appearance.
5. **THIS COURT ORDERS** that any of the Responding Parties who intend to rely on any responding materials at the hearing of the ITCAN Approval Motion shall, on or before October 13, 2015: (i) serve such responding materials on counsel for the Liquidator as set out in paragraph 3 hereof and on each of the Responding Parties at their contacts as set out on the list referenced in paragraph 4 hereof, and (ii) file such materials with the Court.
6. **THIS COURT ORDERS** that any further or other materials in support of the ITCAN Approval Motion, or in reply to materials served by any of the Responding Parties, need only be served on the Responding Parties.
7. **THE COURT ORDERS** that service under paragraphs 5 and 6 hereof shall be made by e-mail, courier or regular mail to the Responding Parties or their counsel, if any, and shall be effective as follows: (i) in the case of service by regular mail, on the fifth business day after such mailing, (ii) in the case of service by e-mail, on the next business day following the sending by e-mail, and (iii) in the case of service by courier, on the second business day following providing of the materials to the courier for next-day delivery.
8. **THIS COURT ORDERS** that the return date for the ITCAN Approval Motion shall be November 2, 2015 or such other date as may be determined by this Court.

9. **THIS COURT ORDERS** that the Liquidator may seek further directions in respect of the ITCAN Approval Motion if required.

Dual T.

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

JUL 15 2015

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SCHEDULE "A"

1. Ontario Court (General Division), bearing Action No.: C17773/97 (the Action No. was changed to 06-CV-309667PD3 as a result of the matter being moved from Milton to Toronto) filed on or about May 1, 1997, by Mirjana Spasic as a Statement of Claim naming Imperial Tobacco Limited as a defendant;
2. Supreme Court of British Columbia, bearing Action No.: S010421 filed on or about January 24, 2001, by Her Majesty The Queen in Right of British Columbia as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
3. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000070-983. On or about September 3, 1998, Cécilia Létourneau filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 Létourneau filed a Motion to Institute Class Action Proceedings;
4. Québec Superior Court, District of Montreal, bearing Action No.: 500-06-000076-980. On or about November 18, 1998, the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion for Permission to Institute a Class Action and To be Named Representatives against Imperial Tobacco Limitée. Permission was granted. On or about September 29, 2005 the Conseil Québécois sur le Tabac et la Santé and Jean-Yves Blais filed a Motion to Institute Class Action Proceedings;
5. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 1036 of 2009, filed on or about July 10, 2009 by Thelma Adams as a Notice of Motion for Certification naming Imperial Tobacco Canada Limited as a defendant;
6. Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, bearing Action No.: 916 of 2009, filed on or about June 12, 2009 by Thelma Adams as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
7. Court of Queen's Bench of Alberta, Judicial District of Calgary, bearing Action No.: 0901-08964, filed on or about June 15, 2009 by Linda Dorion as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
8. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI09-01-61479, filed on or about June 2009 by Deborah Kunta as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
9. Court of Queen's Bench of New Brunswick, Trial Division, Judicial District of Fredericton, bearing Action No.: F/C/88/08 filed on or about March 13, 2008, by Her Majesty the Queen in Right of The Province of New Brunswick as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited;
10. Ontario Superior Court of Justice, bearing Action No.: CV-09-387984 filed on or about September 29, 2009, by her Majesty The Queen in Right of Ontario as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;

11. Supreme Court of Nova Scotia, bearing Action No.: 312869 filed on or about June 18, 2009, by Ben Semple as a Notice of Action and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
12. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 10-2780, filed on or about June 25, 2010, by Barbara Bourassa on behalf of the Estate of Mitchell David Bourassa, as a Writ of Summons & Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
13. Supreme Court of British Columbia, Victoria Registry, bearing Action No.: 10-2769, filed on or about June 25, 2010, by R. McDermid as a Writ of Summons and Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
14. Ontario Superior Court of Justice, bearing Action No.: 64757, filed on or about December 2, 2009, by The Ontario Flue-Cured Tobacco Growers' Marketing Board, Andy J. Jacko, Brian Baswick, Ron Kichler and Arpad Dobrentey as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
15. Ontario Superior Court of Justice, bearing Action No.: 00-CV-196070, filed on or about August 15, 2000, by Ronald McIntyre, by his estate representative, Maureen McIntyre as a Statement of Claim naming Imperial Tobacco Canada Limited as a defendant;
16. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 961769, filed on or about March 20, 1996, by David Brian Rowland as a Writ of Summons naming Imperial Brands Ltd. as a defendant;
17. Supreme Court of British Columbia, Vancouver Registry, bearing Action No.: 031300, filed on or about May 8, 2003, by Kenneth Knight as a Writ of Summons naming Imperial Tobacco Canada Limited as a defendant; and
18. Supreme Court of Nova Scotia, bearing Action No.: 177663 filed on or about September 5, 2002, by Peter Stright, as an Amended Originating Notice naming Imperial Tobacco Company Limited as a defendant.
19. Ontario Court General Division, bearing Action No.: 97-CU-121572 filed by Meditrust Healthcare Inc., naming Shoppers Drug Mart, a division of Imasco Retail Inc., as a defendant.
20. Ontario Superior Court of Justice, bearing Action No.: 00-CV-183165 filed by Jasmine Ragoonanan et al., naming Imperial Tobacco Canada Limited as a defendant.
21. Supreme Court of Newfoundland and Labrador, Trial Division, bearing Action No.: 20111 OIG. No. 0826 filed by Attorney General of Newfoundland and Labrador, naming Imperial Tobacco Canada Limited as a defendant.
22. Court of Queen's Bench of Manitoba, Winnipeg Centre, bearing Action No.: CI 12-01-78127, filed by Her Majesty the Queen in Right of The Province of Manitoba naming Imperial Tobacco Canada Limited as a defendant.

23. Alberta Court of Queen's Bench, bearing Action No.: 1201-07314 filed by Her Majesty in Right of Alberta, naming Imperial Tobacco Canada Limited as a defendant.
24. Quebec Superior Court, District of Montreal, bearing Action No.: 500-17-072363-123 filed by Attorney General for the Province of Quebec, naming Imperial Tobacco Canada Limited as a defendant.
25. Ontario Superior Court of Justice, bearing Action No.: 53-794 of 2012, filed by Suzanne Jacklin, naming Imperial Tobacco Canada Limited as a defendant.
26. Supreme Court of Prince Edward Island General Section, bearing Action No.: S1-GS-25019 filed by Her Majesty the Queen in Right of the Province of Prince Edward Island, naming Imperial Tobacco Canada Limited as a defendant.
27. Supreme Court of Nova Scotia, bearing Action No.: 434868, filed by Her Majesty the Queen in Right of the Province of Nova Scotia naming Imperial Tobacco Canada Limited as a defendant.
28. Saskatchewan Court of Queen's Bench, bearing Action No. 871 of 2012, filed by the Government of Saskatchewan naming Imperial Tobacco Canada Limited as a defendant.

SCHEDULE "B"

Primary and Excess Carriers and Other Insurers

Insurer	Address
Royal Insurance Company of Canada	Royal & Sun Alliance Insurance Company of Canada 18 York Street Suite 800 Toronto, Ontario M5J 2T8
The Commonwealth Insurance Company	Northbridge Insurance 105 Adelaide Street West Suite 700 Toronto, Ontario M5H 1P9
Zurich Insurance Company	Zurich Canada First Canadian Place 100 King Street West Suite 5500 P.O. Box 290 Toronto, Ontario M5X 1C9
Guardian Insurance Company of Canada	Intact Financial Corporation address 700 University Avenue 15 th Floor Toronto, Ontario M5G 0A1
The Continental Insurance Company of Canada	250 Yonge Street Suite 1500 Toronto, Ontario M5B 2L7
Cigna Insurance Company of Canada	ACE INA Insurance 25 York St, Toronto, ON M5J 2V5

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Insurer	Address
Liberty Mutual Insurance Company , as represented in Canada by Liberty International Canada	181 Bay Street Suite 1000 Toronto, Ontario M5J 2T3
American Home Assurance Company, Chartis Insurance Company of Canada and AIG Commercial Insurance Company of Canada	AIG Toronto 145 Wellington Street West Toronto, Ontario M5J 1H8
Lloyd's of London	<p>Toronto Office: Royal Bank Plaza South Tower 200 Bay Street Suite 2930, PO Box 51 Toronto, ON M5J 2J2</p> <p>Montreal Office: Montreal 1155 Metcalfe Street, Suite 2220 Montreal, Quebec H3B 2V6</p>

SCHEDULE "C"**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN
CANADA OF RELIANCE INSURANCE COMPANY- CANADIAN BRANCH ("Reliance
Canada")****IMPORTANT NOTICE REGARDING A PROPOSED SETTLEMENT AND
DISCHARGE OF ALL CLAIMS AND POTENTIAL CLAIMS IN CONNECTION WITH
INSURANCE POLICIES ISSUED TO OR FOR THE BENEFIT OF IMPERIAL
TOBACCO CANADA LIMITED ("ITCAN") AND ITS RELATED ENTITIES**

On December 3, 2001, the Ontario Superior Court of Justice (the "**Court**") ordered the winding-up of Reliance Canada, under the provisions of the *Winding-up and Restructuring Act*. The Court appointed KPMG Inc. as liquidator (the "**Liquidator**").

This Notice is being given pursuant to the Order of the Court made July 15, 2015 (the "**Directions Order**"). The Liquidator hereby gives notice that it has brought a motion (the "**ITCAN Approval Motion**") returnable before the Court on November , 2015, or such other date as may be set by the Court. **The ITCAN Approval Motion and the relief sought therein may affect you and any claims or potential claims that you may have against Reliance Canada, or any of its related parties, arising by virtue of or in connection with policies of insurance issued by Reliance Canada (the "Reliance Policies") to or for the benefit of ITCAN.**

The ITCAN Approval Motion seeks an Order of the Court approving the full and final settlement and release agreement dated June 17, 2015 entered into by Reliance Canada and ITCAN, and other related relief. This relief includes a declaration that any and all claims or potential claims against Reliance Canada and its related parties, in connection with or arising by virtue of claims against ITCAN or entities related to ITCAN which may be insured by the Reliance Policies, will be deemed to be completely released and discharged. The foregoing

includes (but is not limited to) any claims in connection with the Reliance Policies pursuant to the direct action provisions of the *Code Civil du Québec* or any other statutory provisions granting rights of recovery against Reliance Canada.

This Notice and the summary herein of the ITCAN Approval Motion do not replace and are not a substitute for the materials filed in support of the ITCAN Approval Motion. You may obtain a copy of such materials, as well as a copy of the Directions Order, from the Liquidator's website at www.relianceinsurance.ca or from the undersigned.

Please note that the Directions Order provides that any person who intends to appear and make submissions at the hearing of the ITCAN Approval Motion ("Responding Party") shall serve a Notice of Appearance, in the form attached to the Directions Order, on counsel for the Liquidator, so as to be received by such counsel on or before September 16, 2015.

Further, the Directions Order provides that any Responding Party who will rely on responding materials at the hearing of the ITCAN Approval Motion shall, on or before October 13, 2015: (i) serve such responding materials on counsel for the Liquidator and on each Responding Party, and (ii) file such materials with the Court.

KPMG Inc.,
Liquidator, Reliance Insurance Company
Canadian Branch
Bay-Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

Janine M. Bradley, Senior Manager

SCHEDULE "D"

**DANS L'AFFAIRE DE LA LIQUIDATION DES ACTIVITÉS D'ASSURANCE AU
CANADA DE LA SUCCURSALE CANADIENNE DE LA RELIANCE INSURANCE
COMPANY (« Reliance Canada »)**

**AVIS IMPORTANT CONCERNANT UNE PROPOSITION DE PAIEMENT
LIBÉRATOIRE DE TOUTES LES RÉCLAMATIONS ACTUELLES ET
POTENTIELLES EFFECTUÉES DANS LE CADRE DE POLICES D'ASSURANCE
ÉMISES AU NOM OU AU BÉNÉFICE D'IMPERIAL TOBACCO CANADA LIMITÉE
(« ITCAN ») ET DE SES PARTIES LIÉES**

Le 3 décembre 2001, la Cour supérieure de justice de l'Ontario (la « **Cour** ») a ordonné la liquidation de Reliance Canada, en vertu de la *Loi sur les liquidations et les restructurations*. KPMG Inc. a été nommé liquidateur (le « **liquidateur** ») par la Cour.

Le présent avis est signifié en application d'une ordonnance de la Cour délivrée le 15 juillet 2015 (l'« **ordonnance d'instructions** »). Le liquidateur fait savoir par la présente qu'il a présenté une requête (la « **requête d'approbation ITCAN** ») rapportable devant la Cour le novembre 2015, ou à une autre date déterminée par la Cour. **La requête d'approbation ITCAN et les mesures réparatoires réclamées peuvent avoir des incidences pour vous et toute réclamation actuelle ou potentielle que vous pourriez présenter ou avoir présentée contre Reliance Canada, ou l'une ou l'autre de ses parties liées, en vertu ou en conséquence de polices d'assurance émises par Reliance Canada (les « polices Reliance ») au nom ou au bénéfice d'ITCAN.**

La requête d'approbation ITCAN vise à obtenir une ordonnance de la Cour autorisant l'accord de règlement libératoire intégral et définitif établi en date du 17 juin 2015 entre Reliance Canada et ITCAN, et d'autres mesures réparatoires connexes. Ces dernières comprennent une déclaration selon laquelle Reliance Canada et ses parties liées sont réputées être entièrement libérées et dégagées de toute responsabilité à l'égard de toute réclamation

actuelle ou potentielle en vertu ou en conséquence de réclamations faites à l'encontre d'ITCAN ou de ses parties liées qui seraient couvertes par les polices Reliance, y compris (sans s'y limiter) toute réclamation faite dans le cadre des polices Reliance, en application des dispositions du *Code civil du Québec* concernant le recours direct ou de toute autre disposition législative accordant des droits de recouvrement contre Reliance Canada.

Le présent avis et le sommaire de la requête d'approbation ITCAN qui y est présenté ne remplacent pas les documents déposés à l'appui de la requête d'approbation ITCAN et ne peuvent s'y substituer. Vous pouvez obtenir une copie desdits documents ou de l'ordonnance d'instructions sur le site du liquidateur, à l'adresse www.relianceinsurance.ca, ou auprès de la soussignée.

Veillez prendre note qu'en vertu de l'ordonnance d'instructions, toute personne ayant l'intention d'assister et de présenter des observations à l'audience de la requête d'approbation ITCAN (la « partie intimée ») doit, pour être entendue par le conseil du liquidateur, signifier à ce dernier un avis de comparution, au moyen du formulaire joint à l'ordonnance d'instructions, le ou avant le 16 septembre 2015.

L'ordonnance d'instructions prévoit en outre que toute partie intimée qui entend utiliser des documents à l'appui de son intervention lors de l'audience de la requête d'approbation ITCAN doit, le ou avant le 13 octobre 2015 : a) signifier les documents en question au conseil du liquidateur et à chacune des parties intimées, et b) déposer les documents en question auprès de la Cour.

KPMG Inc.,
Liquidateur de Reliance Insurance Company —
Succursale canadienne
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto (Ontario) M5H 2S5

Janine M. Bradley, directrice principale

SCHEDULE "E"

Court File No. 01-CL-4313

**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**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

NOTICE OF APPEARANCE RE:

ITCAN APPROVAL MOTION

_____ [insert name of party] intends to appear and make submissions at the ITCAN Approval Motion (as defined in the Directions Order herein made July 15, 2015).

Service may be effected on this party at:

Contact person or Legal Counsel, if any

Firm or Company

Full address

E-mail

Fax No.

Telephone Number

DATED this _____ day of _____, 2015.

THE ATTORNEY GENERAL OF CANADA
Applicant

and

RELIANCE INSURANCE COMPANY
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

DIRECTIONS ORDER

Goodmans LLP

Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Graham D. Smith\LSUC #26377D

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Tel: (416) 979-2211

Fax: (416) 979-1234

Email: gsmith@goodmans.ca
grubenstein@goodmans.ca
fkussner@goodmans.ca

Lawyers for KPMG Inc.,
Liquidator of Reliance Canada

THE ATTORNEY GENERAL OF CANADA
Applicant

and

RELIANCE INSURANCE COMPANY
Respondent

Court File No: 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

Proceeding commenced at TORONTO

MOTION RECORD
(Approval re: Settlement: Imperial Tobacco
Canada Limited, Imperial Brands Ltd. and
Imperial Tobacco Company Limited Policies -
Motion Returnable November 2, 2015)

Goodmans LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Graham D. Smith LSUC #26377D
Gale Rubenstein LSUC #17088E
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Lawyers for KPMG Inc.,
Liquidator of Reliance Canada