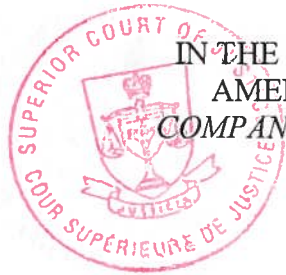


**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 14TH
)
JUSTICE HAINEY) DAY OF JULY, 2017



IN THE MATTER OF THE *INSURANCE COMPANIES ACT*, R.S.C. 1991, c. 47, AS AMENDED, AND THE *MUTUAL PROPERTY AND CASUALTY INSURANCE COMPANY WITH NON-MUTUAL POLICYHOLDERS CONVERSION REGULATIONS*, SOR/2015-168

AND IN THE MATTER OF A PLAN OF CONVERSION OF
ECONOMICAL MUTUAL INSURANCE COMPANY

ECONOMICAL MUTUAL INSURANCE COMPANY

Applicant

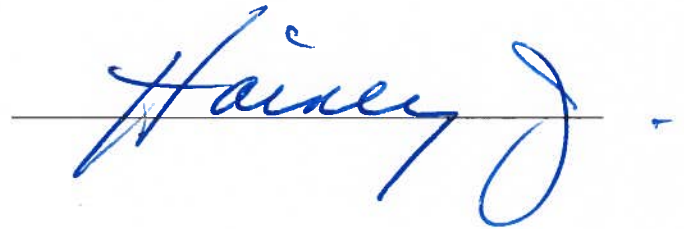
**ORDER
(motion for approval of fees of Alexander Capital)**

THIS MOTION, made by the Committee of Eligible Mutual Policyholders (the “**Mutual Policyholders Committee**”) of Economical Mutual Insurance Company (“**Economical**”) approving the fees of Alexander Capital Group Inc. (“**Alexander Capital**”) for expert financial services to be provided to the Mutual Policyholders Committee, was heard this day, at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Nancy J. Carroll sworn June 29, 2017 (the “**Carroll Affidavit**”) and on hearing the submissions of counsel for the Mutual Policyholders Committee and counsel for Economical:

1. **THIS COURT ORDERS** that, subject to further order of this court, the fees of Alexander Capital, consisting a monthly fee beginning one month from the effective date of the engagement (i.e., May 11, 2017) and recurring at one-month intervals thereafter for a minimum of six months, in the amount of \$60,000 per month for the first five months of the engagement and \$50,000 per month for each month thereafter, in

accordance with the engagement letter attached as Schedule "A", are approved, and Economical shall pay such fees upon issuance of invoices by Alexander Capital.



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

AUG 14 2017

PER / PAR: 

SCHEDULE “A” – THE ENGAGEMENT LETTER**ALEXANDER
CAPITAL**

July 14, 2017

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower,
Box 48, 66 Wellington Street West,
Toronto, ON M5K 1E6

Attention: Messrs. Garth Girvan and Andrew Parker

STRICTLY PRIVATE AND CONFIDENTIAL

Dear Sirs:

We understand that you are counsel for The Committee of Eligible Mutual Policyholders (the “Committee”) of Economical Mutual Insurance Company (“Economical”), which is entering into a negotiation (the “Negotiation”) with representatives of the committee representing the eligible non-mutual policyholders (the “Non-Mutual Committee”) with a view to determining an agreed-upon sharing of the demutualization benefits to be distributed upon demutualization of Economical. In connection with the Negotiation, the Committee is seeking to retain a financial advisor to assist it in the negotiations.

The purpose of this letter agreement is to confirm the appointment of Alexander Capital Group Inc. (“Alexander Capital”) as a financial advisor to the Committee in respect of the Negotiation and to record our mutual understanding and agreement regarding the scope and terms of our engagement for this mandate (the “Mandate”).

1. **Appointment and Engagement.** By its acceptance of this letter, the Committee hereby appoints Alexander Capital, and we agree to act, as financial advisor to the Committee in connection with the Mandate on the terms and subject to the conditions set forth below.

This engagement of Alexander Capital shall be for a period commencing on May 11, 2017 (from which date this letter agreement shall be deemed to be effective) and shall remain in effect until the earlier of a) termination by either party upon 30 days’ written notice to that effect, and b) February 22, 2018.

Notwithstanding any termination of this letter agreement, Economical
 will be responsible for
 the payment of fees
 and expenses under

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This engagement of Alexander Capital pertains only to the Mandate (including all matters necessary or desirable to complete the Mandate) and does not extend to any other mandate or matter.

2. Services to be Rendered by Alexander Capital. On completion of a review of all relevant background materials and a full de-briefing with the Committee or with McCarthy Tétrault LLP, counsel to the eligible mutual policyholders, we will:
 - 1) assist the Committee in developing negotiating strategies based on various analyses, including, but not limited to:
 - evaluating restructuring precedents to determine the cost of securing the votes of shareholders who own securities with little/no economic interest
 - examining precedent valuations for conversion of multi-voting securities into regular-voting securities (i.e. value associated with losing voting control)
 - developing an understanding of the negotiating position of the non-mutual policyholders, and
 - performing financial analysis in support of the negotiating strategy;
 - 2) on behalf of the Committee and alongside counsel, potentially assisting with the negotiations with the Non-Mutual Committee and its advisors;
 - 3) report regularly to the Committee on developments in the Negotiation and any relevant market developments;
 - 4) assist the Committee with financial analysis to determine the appropriate allocations within the mutual policyholder group, if and when requested; and
 - 5) assist in, and be present at, any policyholder presentations during the term of our engagement in connection with the ensuing votes.

3. **Additional Services.** Without limiting the generality of the foregoing, the services provided hereunder shall not include appearances as a witness, the provision of evidence, whether orally, by deposition or by affidavit, or participation by Alexander Capital in any court or administrative proceeding relating except on the to the Mandate as outlined above or terms and conditions set forth

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4. **Opinion Qualifications.** Any report and any oral or other written opinions or advice provided by Alexander Capital to the Committee will be made subject to and will be based upon assumptions, limitations, qualifications and reservations as we, in our professional judgment, deem necessary or prudent in the circumstances, including without limitation assumptions, limitations, qualifications or reservations which are customary in such opinions or advice or which relate to:
- a) the information, data, opinions, appraisals, valuations and other materials made available, and representations made, to us; and
 - b) our access to management of Economical and other relevant parties, and also any of their respective advisors, consultants and agents.
5. **Disclosure of Our Advice and this Engagement.** The opinions, advice and materials, including any report, to be provided by Alexander Capital in carrying out its engagement hereunder are intended solely for the use of the Committee. The Committee will be entitled to rely upon such opinions, advice and materials, including any report.

In no event shall Alexander Capital bear any responsibility for the form or content of any disclosure document prepared by the Committee in connection with the Mandate or relating to the Negotiation, other than a description of the services provided by Alexander Capital under this engagement that may be required by law in a manner approved by Alexander Capital acting reasonably. Alexander Capital disclaims any liability or responsibility to the Committee by reason of the use, publication or distribution of, or reference to, any report or any other advice provided by Alexander Capital or this engagement, in each case other than in accordance with this engagement and for the purposes of the Mandate.

Additionally, Alexander Capital acknowledges that copies of any report or materials presented to the Committee that are appended to minutes maintained by the Committee or Economical, may be subject to review by legal and financial

advisors to the Committee. Alexander Capital disclaims any liability or responsibility to any person (other than the Committee) in respect of any report or any other advice provided by Alexander Capital in connection with this engagement, and any such person to whom the Committee makes such reports or advice available in accordance with this agreement shall be so advised by the Committee.

†

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6. **Right to Withdraw Reports.** If (i) Alexander Capital becomes aware of any information not disclosed to it, or known by it at the time of the delivery of any report, regardless of the source, which in its reasonable opinion would make the report misleading in any material respect, untrue, or inaccurate or would result in an omission to state therein any material fact necessary in order to make such report not misleading in the light of the circumstances in which it was made and which is not reflected or contemplated in the report, or (ii) Alexander Capital reasonably concludes that there has been a material change in the business or affairs of Economical or a material change in the Mandate or in the information contained in the report which materially affects the opinions contained in or conclusions drawn in the report, Alexander Capital shall be entitled to amend, supplement or withdraw the report previously provided.

If Alexander Capital amends, supplements or withdraws a report provided hereunder for any reason or reasons, it shall so advise the Committee in writing in advance in a timely manner and consult with the Committee prior to taking such action. If the report or any summary thereof or extract therefrom has been published or referred to in any public document, then such amendment, supplement or withdrawal shall immediately be communicated or published in such manner as may be appropriate in the circumstances. Such communication shall be at the expense of the Committee.

7. **Fees and Expenses.** Subject to Section 11(1) of the Mutual Property and Casualty Insurance Company with Non-mutual Policyholders Conversion Regulations (the “**Regulations**”), for our services hereunder, Economical will pay to Alexander Capital a monthly fee beginning one month from the effective date of this letter agreement (i.e., May 11, 2017) and recurring at one-month intervals thereafter for a minimum of six months, in the amount of \$60,000 per month for the first five months of the engagement and \$50,000 per month for each month thereafter (the “**Consulting Fees**”), it being understood that payment of such fees will only be made on approval from the court under Section 11(1) of the Regulations and that until approved no person will be liable for any such fees and once approved Alexander Capital will only have recourse against Economical for such fees. Court approval for the financial advisory fees of Alexander Capital will be sought by McCarthy Tétrault LLP forthwith upon execution of this letter agreement.

Should notice of our termination be received prior to the completion of the minimum six-month period in b) above, the balance of any unpaid Consulting Fees subject to the minimum shall be due on termination again subject to Section 11(1) of the Regulations.

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Economical will reimburse Alexander Capital for all reasonable travel and related expenses, printing & publishing costs and courier costs incurred by us in connection with the Mandate. Such reimbursable expenses will be billed from time-to-time and be payable by Economical upon receipt of invoice.

Economical and Alexander Capital understand and agree that financial advisory fees are subject to the Harmonized Sales Tax (“HST”) and that such tax will be applicable to fees paid under the Mandate.

8. **Confidentiality.** Alexander Capital agrees that it will cause each person working on the Mandate that is part of Alexander Capital to execute the confidentiality undertaking attached as Schedule “A” to this letter which is required pursuant to the Confidentiality Order of the Honourable Justice Hainey, dated February 22, 2017, a copy of which has been delivered separately to Alexander Capital. Such confidentiality undertakings to be so executed upon commencement of the Mandate and Alexander Capital will deliver copies of same to Economical forthwith after such execution.
9. **Protection from liability.** Alexander Capital understands that pursuant to paragraph 6 of the Order of the Honourable Justice Hainey, dated February 22, 2017 that among other things appointed the Committee provides that any actuarial or other expert (such as Alexander Capital) retained by the Committee shall not incur any liability as a result of their appointment or the fulfillment of their duties, save and except for any gross negligence or willful misconduct on their part.
10. **Notice of Regulatory or Court Action.** The Committee or Economical will advise us promptly of any request received by them from any applicable regulatory authority for any material information, meeting or hearing relating to the Mandate, or of the initiation of any meeting, hearing, proceeding or litigation by a regulatory authority, policyholder or other party, with respect to the Mandate. If requested by the Committee or Economical, we will testify before or provide reasonable support services to the Committee before any governmental department, commission, agency or regulatory authority (including any stock exchange) or court and we shall be paid reasonable professional fees such services. Our testimony or support services will be confined to the services performed under this letter agreement. We shall have the right to employ counsel in connection with our testimony and shall be reimbursed by Economical for the reasonable fees and disbursements of such counsel as well as all of our reasonable out-of-pocket costs, charges and expenses incurred in connection with such testimony or support services.

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11. **Survival of Terms.** The terms and conditions of this letter agreement shall survive the completion of our engagement hereunder, any withdrawal or termination of the Mandate or decision not to proceed with the Mandate and any termination or purported termination of this letter agreement. In addition, any representations, warranties, and other agreements provided by the Committee or Economical in connection with this letter agreement, including without limitation, any certificate contemplated or otherwise delivered hereunder, shall remain in full force and effect regardless of any investigation made by us or on our behalf.
12. **Relationship.** The Committee and Economical agree that Alexander Capital has been retained to act solely as financial advisor to the Committee. In such capacity, Alexander Capital shall act as an independent contractor and any duties of Alexander Capital arising out of its engagement pursuant to this letter agreement shall be owed solely to the Committee. Notwithstanding that Alexander Capital's financial advisory fees shall be paid by Economical, Alexander Capital will provide its services solely in accordance with its Mandate as financial advisor to the Committee, and Economical will not seek to instruct Alexander Capital in any manner nor will Economical have access to any of Alexander Capital's work product other than with the consent of the Committee.
13. **Other Matters.** This letter agreement shall not be assignable by: (i) the Committee without the prior written consent of Alexander Capital; and (ii) Alexander Capital without the prior written consent of the Committee, in either case except as provided herein. The agreement resulting from this engagement letter shall be governed by and construed in accordance with the laws of the Province of Ontario and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Ontario. All financial references in this letter agreement are to Canadian dollars unless otherwise expressly indicated. Headings used herein are for ease of reference only and shall not affect the interpretation or construction of this letter agreement. No waiver, amendment or other modification of this letter agreement shall be effective unless in writing and signed by each party bound hereto. Time shall be of the essence of this agreement.
14. **Notices.** Any notice or other communication required or permitted to be given under this letter agreement shall be in writing and shall be sufficiently given or made by personal delivery, electronic mail or by telecopy or similar facsimile transmission (receipt confirmed) to the respective parties at the addresses set forth in this letter (in the case of Alexander Capital to the attention of the undersigned). Any notice so given shall be deemed conclusively to have been given and received when so personally delivered or so telecopied or transmitted.

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If the foregoing is in accordance with your understanding, please indicate your agreement

by signing the enclosed copy of this letter, and return to the undersigned.

Yours very truly,

ALEXANDER CAPITAL GROUP INC.

By: _____
Alexander G. Rhind
President

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The foregoing is in accordance with our understanding and is accepted and agreed to by us this _____ day of July, 2017.

McCarthy Tétrault LLP,
in its capacity as counsel to the committee of eligible mutual
policyholders of economical mutual insurance company

By: _____
Andrew Parker
Partner

In the matter of a plan of conversion of
ECONOMICAL MUTUAL INSURANCE COMPANY

Court File No. CV-16-11425-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

McCarthy Tétrault LLP
Suite 5300, Toronto Dominion Bank Tower
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Lawyers for the Eligible Mutual Policyholders

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