

HEPATITIS C
CLASS ACTION SETTLEMENT
1986-1990

YEAR 17

REPORT OF THE JOINT COMMITTEE
FOR THE PERIOD ENDING DECEMBER 31, 2016

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January 1, 1986 to July 1, 1990

HEPATITIS C

CLASS ACTION SETTLEMENT

YEAR 17

REPORT OF THE JOINT COMMITTEE

FOR THE PERIOD ENDING DECEMBER 31, 2016

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January 1, 1986 – July 1, 1990
HEPATITIS C CLASS ACTION SETTLEMENT

EXECUTIVE SUMMARY

1. The 1986-1990 Hepatitis C Settlement (the “**Settlement**”) completed its seventeenth year of operations on December 31, 2016.
2. In 2016, the Administrator received 98 new claims as follows:
 - 7 Primarily Infected Transfused Claims
 - 1 Primarily Infected Hemophiliac Claims
 - 72 Family Member Transfused Claims
 - 16 Family Member Hemophiliac Claims
 - 2 Secondarily Infected Transfused Claims

New claims decreased by almost 58% over the prior year.¹ As of December 31, 2016, the Administrator had approved 55 claims under the Recent HCV Diagnosis court approved protocol exception to the First Claim Deadline of June 30, 2010 (“**First Claim Deadline**”) and 31 claims under the other court approved protocol exception to the First Claim Deadline. In addition, as of December 31, 2016, the Administrator had received 288 claims following the First Claim Deadline that do not fall within the existing court approved protocols (“**Late Claims**”).

3. In 2016, the Administrator approved payments to new and existing approved claimants of approximately \$42.2 million, which was about 19% less than in the previous year and about 9% less than in 2014.² Since its inception, the Administrator has paid out a total of

¹ In 2015, 236 new claims were received. In 2014, 179 new claims were received.

² In 2015, it was approximately \$52.6 million. In 2014, it was approximately \$46.6 million.

approximately \$917.5 million³ in benefits in response to approximately 14,288 approved claims.

4. Financial Statements of the 1986-1990 Hepatitis C Trust Fund (the “**Trust Fund**”) attached at **Schedule A** indicate \$1.137 billion in assets held by the Trustee and a total unpaid liability of the provincial governments of about \$121.4 million (including interest) for a total available to satisfy the claims of class members of about \$1.258 billion as at December 31, 2016.
5. During 2016, there was a 4.51% return on the total invested assets held by the Trustee, which was a moderate increase over the prior year.⁴ This was mainly due to improved returns on the Government of Canada real return bonds that comprise most of the assets. The total invested assets increased by about \$16.0 million or 1.4% net of payments out.⁵
6. Expenses for administration of the Settlement for 2016 totalled approximately \$4.7 million for all service providers, which is about a 2.1% increase over the previous year.⁶

OVERVIEW

7. This is the seventeenth Annual Report of the Joint Committee to the Supreme Court of British Columbia, the Superior Court of Justice for Ontario, and the Superior Court of Quebec (collectively, the “**Courts**”) on the status of the Settlement and the administration of the Hemophiliac HCV Plan and Transfused HCV Plan (collectively, the “**Plans**”).
8. In 2016, the Joint Committee was comprised of J.J. Camp, Q.C., Michel Savonitto, Harvey T. Strosberg, Q.C., and Kathryn Podrebarac. Mr. Camp was appointed by Order of the Supreme Court of British Columbia. Mr. Savonitto was appointed by the Order of the

³ This amount includes payments of about \$21.4 million to HIV secondary claimants.

⁴ In 2015, the overall return on invested assets was 2.69%. In 2014, the overall return on invested assets was 13.58%.

⁵ In 2015, the invested assets decreased by about 0.85% net of payments out. In 2014, the invested assets increased by about 9.8% net of payments out.

⁶ In 2015, the administration expenses totalled approximately \$4.6 million. In 2014, the administration expenses totalled approximately \$3.2 million.

Superior Court of Quebec. Mr. Strosberg was appointed by Order of the Superior Court of Justice for Ontario. Ms. Podrebarac was appointed by Orders of each of the Courts.

9. The activities of the various service providers to the Settlement are discussed under the appropriate headings below and/or in their attached reports.

2016 EXPENSES

10. The budgeting process for 2016 commenced in late 2015 and annual budget approval orders were obtained from the Courts in January and February 2016. Below, the actual fees and disbursements of each service provider supervised by the Joint Committee are reconciled to their approved budget.
11. The expenses to the Settlement for the various service providers for 2016 are set out below.
12. The total expenses of the service providers supervised by the Joint Committee for general work (not including financial sufficiency review matters) for 2016 was \$1,546,529.00 (exclusive of taxes). Service providers were generally at or under budget on general work.
13. The following chart summarizes the budget versus actual expenses for 2016 for the service providers supervised by the Joint Committee for general services (exclusive of applicable taxes).

Service Provider	2016 Budget	2016 Actual	Variance from Budget	Note
Crawford Class Action Services				
Administration Contract	\$622,631.00	\$622,631.00	0	See paras 37 to 41 and Tab G and H
Activity Level Adjustment	As incurred	0		
Third Party Expenses	As incurred	\$7,753.90		
Appeal Expenses	As incurred	\$3,985.52		
Special Projects	\$50,000.00	0		

Service Provider	2016 Budget	2016 Actual	Variance from Budget	Note
Deloitte LLP Audit, financial statements (exclusive of travel expenses)	\$91,592.00	\$91,592.00	0	See paras. 19-22 and Tab A 19
RBC Investor Services Trustee Services	\$125,000.00	\$113,113.00	(\$11,887.00)	See paras. 23-25 and Tab B
TD Asset Management Inc. Investment Services	\$215,000.00	\$207,418.00	(\$7,582.00)	See paras. 26-29 and Tab C and D
Eckler Ltd. Actuarial Services & Investment Review	\$50,000.00	\$33,514.00	(\$16,486.00)	See paras. 30- 3035 and Tab E and F
Special Projects	\$25,000.00	0	(\$25,000.00)	
PriceWaterhouseCoopers LLP Income Loss annual computer programming update	\$10,000.00	\$8,822.00	(\$1,178.00)	See paras. 42-43
Paula Frederick/ Cohen Hamilton Steger Inc. Specialized Income Loss analysis	\$30,000.00	\$31,615.00	\$1,615.00	See paras. 44- 4544
Joint Committee Regular administration and supervision work				See paras. 50-51 and Tabs I and J
Fees	\$600,000.00	\$367,905.50	(\$232,094.50)	
Disbursements	\$50,000.00	\$26,571.02	(\$23,428.98)	
Special Projects	\$25,000.00	0	(\$25,000.00)	

14. The following other service providers provided services in 2016 and were paid the following amounts (exclusive of taxes) pursuant to applicable orders or the tariff approved by the Courts.

Service Provider	Actual 2016	Note
Fund Counsel		See paras. 5656-62 and Tab K
Fees	\$385,999.03	
Disbursements	\$17,042.42	
Arbitrators and Referees		See paras. 63-65 and Tab L
Fees	\$36,760.50	
Disbursements	\$5,775.51	
Court Monitor		See paras. 66-67
Fees	\$84,855.00	
Disbursements	\$56,344.60	

15. In 2016, the following service providers performed services in connection with the financial sufficiency review triggered on December 31, 2013 (the “**2013 Financial Sufficiency Review**”). The services related to responding to Canada’s actuarial and expert evidence, responding to an intervention application, communicating with class members, preparing written submissions, attending the excess capital allocation joint hearing of the three supervising Courts held in Toronto, and settling the terms of the orders/judgments.

Service Provider	Budget 2016	Actual 2016	Variance from Budget	Note
Eckler Ltd.				See para. 34
Fees	\$256,000.00	\$93,892.00	(\$162,108.00)	
Disbursements	\$6,000.00	0	(\$6,000.00)	
Joint Committee				See para. 52 and Tabs I and J
Fees	\$750,000.00	\$1,156,301.50	\$406,301.50	
Disbursements	\$75,000.00	\$112,039.43	\$37,039.43	

16. Following the Courts’ decisions/judgment on the excess capital allocation joint hearing, the Joint Committee, Eckler, and Deloitte incurred additional fees and disbursements for work related to implementing the judgment/orders, specifically, the special distribution benefits awarded by the Courts and the development of a draft late claims benefit plan. The amounts set out below are accounted for separately and were paid pursuant to court order from excess capital, without contribution from the provinces or territories.

Service Provider	Special Distribution Benefits	Late Claims Benefit Plan	Note
Joint Committee			See para. 5352 and Tabs I and J
Fees	\$48,912.00	\$36,725.00	
Disbursements	\$1,876.44	\$258.88	
Eckler Ltd.			See para. 36
Fees	\$18,943.00	\$3,474.00	
Disbursements		0	
Deloitte	\$3,750.00	\$3,750.00	See para. 22

17. In addition, fees of \$574,237.50 and disbursements of \$54,748.28 were incurred by class counsel in connection with the jurisdictional appeals to the Supreme Court of Canada regarding whether the judges of the three supervising courts may conduct a hearing outside of their respective home province.
18. As noted above, the total expenses for administration in 2016 totalled approximately \$4.7 million for all service providers.

DELOITTE LLP

19. Deloitte LLP (“**Deloitte**”) was appointed auditor of the Trust Fund pursuant to orders of the Courts.
20. In addition to the audit of the Trust Fund, Deloitte prepares the financial statements on behalf of the Joint Committee. Attached as **Schedule A** is a copy of the Financial Statements prepared and audited by Deloitte.
21. The Courts approved a budget for Deloitte for the audit and financial reports for 2016 of \$91,592.00 plus travel expenses and taxes. The total amount invoiced by Deloitte for these services of \$91,592.00 plus taxes was submitted for payment pursuant to the 2016 budget approval orders.
22. Additional fees of \$3,750.00 plus taxes were incurred by Deloitte in connection with planning and additional financial reporting relating to special distribution benefits and fees of \$3,750.00 plus taxes in connection with planning and additional financial reporting

relating to the late claims benefits plan. The Joint Committee recommends approval of these charges, payable from excess capital.

RBC INVESTOR SERVICES

23. In 2005, RBC Investor Services (“**RBC**”) was appointed successor Trustee of the Trust Fund pursuant to the orders of the Courts, on the same terms and conditions under which Royal Trust was originally appointed.
24. Attached as **Schedule B** is a Report from RBC of its Custodial Trustee activities in the year ended December 31, 2016.
25. The Courts approved a budget for RBC for 2016 of \$125,000.00. The actual fees charged by RBC for 2016 were \$113,113.00, which was paid pursuant to the 2016 budget approval orders.

TD ASSET MANAGEMENT INC.

26. TD Asset Management Inc. (“**TDAM**”) was appointed Investment Manager of the Trust Fund pursuant to the Orders of the Courts.
27. Attached as **Schedule C** is the Confirmation that TDAM has complied with the court approved Investment Guidelines.
28. The Courts approved a budget for TDAM for 2016 of \$215,000.00 plus taxes. The actual charge by TDAM was \$207,418.00 plus applicable taxes. That amount was paid pursuant to the 2016 budget approval orders.
29. Attached as **Schedule D** is the Portfolio Review of the Trust Fund assets.

ECKLER LTD.

30. Eckler Ltd. (“**Eckler**”) was retained initially by Class Counsel and subsequently by the Joint Committee to provide actuarial advice in respect of the Trust Fund.

31. Eckler has also provided advice to the Joint Committee in respect of investments on an as needed basis since the resignation of the Investment Consultants in 2005.
32. Attached as **Schedule E** is the Report of Eckler regarding its activities during 2016.
33. Attached as **Schedule F** is an Investment Summary provided by Eckler.
34. The Courts approved an annual budget for Eckler’s actuarial and investment review services of \$50,000.00 plus disbursements and taxes for 2016 and a special projects budget of \$25,000.00. Eckler’s actual charges for these services in 2016 were \$33,514.00 plus taxes, which was under budget. That amount was paid on approval of the Joint Committee pursuant to the 2016 budget approval orders. The special projects budget was not expended.
35. For 2016, the Courts approved a financial sufficiency budget for Eckler of \$256,000.00 for fees plus \$6,000.00 in disbursements and taxes. Eckler’s actual accounts for financial sufficiency work total \$93,892.00 plus taxes, which was under budget.
36. In addition, at the Joint Committee’s request, Eckler performed additional work relating to the Courts’ excess capital judgments/orders, retroactive payment calculations in respect of the special distribution benefits awarded and consultations relating to a draft late claims benefit plan. In particular, fees of \$18,943.00 plus taxes were incurred in respect of special distribution benefits and \$3,474.00 plus taxes were incurred in respect of a proposed draft late claims benefit plan. The Joint Committee recommends payment of these additional fees from excess capital.

CRAWFORD CLASS ACTION SERVICES

37. Crawford Class Action Services (“**Crawford**”) was appointed Administrator by orders of the Courts in March 2000. In 2014, the Courts approved an extension of Crawford’s appointment and renewal of the administration contract to the end of 2016. In their 2017 budget approval orders, the Courts approved a further two-year extension of Crawford’s appointment to December 31, 2018.
38. The Report of the Administrator is attached as **Schedule G**.

39. The budget for Crawford provides for a flat administration fee subject to adjustment in the event that certain activity levels increase or decrease by more than 10% per annum, as applicable. In addition to the flat fee subject to adjustments, there is a flow-through of certain out-of-pocket expenditures incurred by the Administrator relating to appeals and expert reports. A special projects budget of \$50,000.00 was also approved for 2016.
40. **Schedule H** is the Payment Reconciliation for Crawford for 2016. It reflects payments to Crawford in accordance with its budget as well as additional charges for third party expenditures of \$7,753.90 (plus taxes) and flow-through costs for appeals of \$3,985.52 (plus taxes). No activity adjustment was required. The Joint Committee recommends approval of these charges.
41. Crawford incurred fees for planning and administration of the special distribution benefit payments paid in early 2017. These fees will be charged against its 2017 budget.

PRICewaterhouseCOOPERS LLP

42. PriceWaterhouseCoopers LLP provides annual updates for tax calculations on software used to calculate income loss, software maintenance for the software used to calculate loss of income claims, and separate software used to calculate and track loss of income payment caps and holdbacks, and advice, assistance and training to the Administrator with respects to both types of software.
43. The budget approved by the Courts for PriceWaterhouseCoopers LLP for 2016 was \$10,000.00 (exclusive of taxes). The actual amount charged to the Trust Fund by PriceWaterhouseCoopers LLP was \$8,822.00 (exclusive of taxes). It was paid on approval of the Joint Committee pursuant to the 2016 budget approval orders.

COHEN HAMILTON STEGER & CO. INC. — PAULA FREDERICK

44. Cohen Hamilton Steger & Co. Inc. was retained by the Administrator to provide expert accounting services in respect of complex loss of income claims and appeals. Paula Frederick is responsible for this work.
45. The budget approved for Ms. Frederick’s services in 2016 was \$30,000.00. Ms. Frederick’s actual fees were \$31,615.00 (exclusive of taxes). The overage relates to expert services performed in connection with a complicated appeal of a decision of the Administrator. The Joint Committee recommends approval of this overage and payment of Ms. Frederick final invoice for 2016 in the amount of \$4,141.45. No amount was paid on account of this invoice pending the Courts’ approval of the overage portion. Ms. Frederick’s prior invoices for 2016 were paid on approval of the Joint Committee pursuant to the 2016 budget approval orders.

CANADIAN BLOOD SERVICES

46. The efficient and effective conduct of tracebacks is a crucial component of the administration of the Plans. Canadian Blood Services (“CBS”) provides the tracebacks required under the Plans in all provinces but Quebec.
47. In the last several years, the demand for and costs of such tracebacks has reduced significantly. A budget was not sought for CBS for traceback services for 2016 and CBS has not invoiced for any expenses that were incurred. Similarly, the Joint Committee did not seek a budget for CBS for 2017.

HÉMA-QUÉBEC

48. Héma-Québec provides the tracebacks required under the Plans in Quebec. No budget was sought for Héma-Québec for 2016 as it advised that due to the limited number of traceback requests expected it would in the first instance finance the cost and seek reimbursement at year end if the costs incurred were significantly higher than anticipated. Similarly, the Joint Committee did not seek a budget for Héma-Québec for 2017.

49. Héma-Québec has advised that it does not seek to be reimbursed for the costs it incurred in 2016.

JOINT COMMITTEE

50. A Summary Report of the work of the Joint Committee in 2016 is set out in **Schedule I**. As described below, the Joint Committee receives a budget for general administration and supervision services work and separate budget for financial sufficiency work.
51. The budget for the Joint Committee for regular administration and supervision services work for 2016 was \$600,000.00 for fees and \$50,000.00 for disbursements, exclusive of taxes. The Joint Committee's actual fees in 2016 for this work were \$367,905.50 exclusive of taxes, which was under budget by \$232,094.50, and its actual disbursements were \$26,571.02, which was under budget by \$23,428.98.
52. Concerning financial sufficiency, for 2016, the Courts approved a financial sufficiency budget for the Joint Committee of \$750,000.00 plus taxes and disbursements of \$75,000.00 plus taxes. The Joint Committee's actual fees for financial sufficiency for 2016 were \$1,156,301.50 exclusive of taxes, which was over budget by \$406,301.50, and its actual disbursements were \$112,039.43, which was over budget by \$37,039.43. The fee overage was largely due to additional work undertaken by the Joint Committee in respect of an unanticipated intervention application, preparing additional expert medical and actuarial evidence in response to Canada's evidence, preparation of the voluminous Joint Record, and greater than expected ongoing communications with class members in connection with the allocation hearings. More than half of the amount of fees by which the Joint Committee was over budget for financial sufficiency work is offset by the amount by which it was under budget for general administration and supervisory work. A portion of the disbursements (\$14,769.65) incurred in connection with preparation of the Joint Record was recovered from Canada through payment to the Trust Fund. These fees and disbursements were paid pursuant to court order.
53. In addition, following the Courts' decisions/judgment on the excess capital allocation joint hearing, the Joint Committee performed additional work related to implementing the

judgment/orders. Fees of \$48,912.00 and disbursements of \$1,876.44 were incurred in connection with the special distribution benefits awarded by the Courts and fees of \$36,725.00 and disbursements of \$258.88 were incurred in connection with the development of a draft late claims benefit plan. These amounts were paid pursuant to court order from excess capital, without contribution from the provinces or territories.

54. In addition, in 2016, fees of \$574,237.50 and disbursements of \$54,748.28 were incurred relating to the appeal to the Supreme Court of Canada (from the decisions of the Courts of Appeal for British Columbia and Ontario) in respect of the jurisdiction of the supervisory Courts to sit together to conduct joint hearings in connection with the Settlement.
55. All accounts were submitted to the Courts for approval before being paid. A detailed summary by jurisdiction of all fees and disbursements incurred by the Joint Committee and class counsel, as approved by the Courts, is set out in **Schedule J**.

FUND COUNSEL

56. John Callaghan and Belinda Bain were appointed as Fund Counsel in the Ontario Class Actions by Order of the Superior Court of Justice for Ontario. Mason Poplaw was appointed Fund Counsel in Quebec Class Actions by Order of the Quebec Superior Court. In 2014, Gordon Kehler was appointed Fund Counsel in the B.C. Class Actions by Order of the Supreme Court of British Columbia, replacing William Ferguson.
57. Attached as **Schedule K** is the Report of Fund Counsel on their activities and their fees incurred in 2016.
58. In 2016, the following appeals were dealt with in each jurisdiction:

2016 Appeal Status Report	ON⁷	BC	QUE	Total
Appeals received	2	1	1	4
Appeals completed	9	1	0	10
Appeals withdrawn	2	0	0	2
Denials rescinded	0	0	0	0

⁷ Ontario covers all provinces and territories other than Quebec and British Columbia.

2016 Appeal Status Report	ON⁷	BC	QUE	Total
Appeals mediated	0	0	0	0
Requests for Judicial confirmation	2	0	0	2
Judicial decisions	5	0	0	5
Appeals pending (including appeals sent back to Referees)	12	3	1	16

59. An increased number of Ontario based appeals were completed or withdrawn in 2016 as a result of efforts by Ontario Fund Counsel to bring forward dormant appeals to conclusion.
60. Fund Counsel estimates that the volume of appeal work in 2017 will either remain the same or decrease slightly depending on the number of appeals raising complex issues requiring expert evidence.
61. In 2016, Fund Counsel also participated in the appeals to the Supreme Court of Canada regarding the jurisdiction of the three supervising Courts to sit together to conduct joint hearings as well as in the excess capital allocation joint hearing.
62. In 2016, Fund Counsel fees were \$385,999.03, a 61% increase over the previous year,⁸ and disbursements were \$17,042.42 exclusive of taxes. All accounts for Fund Counsel were submitted to the appropriate Court for approval before payment.

REFEREES AND ARBITRATORS

63. Referees and Arbitrators were appointed for each jurisdiction by Court orders. On December 8, 2016, a new arbitrator/referee was appointed following the resignation of the prior arbitrator/referee.

⁸ In 2015, the total fees were \$239,143.50.

64. A Summary Report of the work of the Referees and Arbitrators as well as the fees incurred for 2016 is set out in **Schedule L**.
65. In 2016, the fees for Arbitrators and Referees were \$36,760.50 and the disbursements were \$5,775.51 exclusive of taxes. Accounts for the Arbitrators and Referees are paid based upon the tariff set by the Courts.

THE MONITOR

66. Luisa Ritacca of Stockwoods was appointed as Monitor by order of the Ontario Superior Court in 2013 and by order of the Supreme Court of British Columbia in 2014.
67. In 2016, the fees of the Monitor were \$84,855.00 exclusive of taxes and the disbursements were \$56,344.60 exclusive of taxes, due principally to costs incurred in respect of the excess capital allocation joint hearing, which connected the Vancouver and Montreal Courts to the Toronto Court by videoconference and which was simultaneously translated in French and English. A portion of those disbursements (\$30,281.11) was recovered from Canada through payment to the Trust Fund. Accounts for the Monitor are paid based on court order.

2017 BUDGETS

68. The chart below compares the approved budgets for service providers in 2017 to their 2016 budgets. A triennial financial sufficiency review was triggered on December 31, 2016. The budgets below relate to this review:

	2016 Budget	2017 Budget	Payment Methodology
Crawford General administration of the Plans and EAP2 (subject to adjustment for appeal and third party expenses and increase or decrease of certain measurable activities by more than 10% per annum)	\$622,631	\$557,261	\$46,438.42 monthly
HCV Special Benefits Distribution Administration	0	\$635,690	All subject to approval by the Joint Committee
CLASS System Upgrade	0	\$103,950	
Special Projects	\$50,000	\$50,000	
Deloitte Audit and financial statements (exclusive of travel expenses) Special Projects	\$91,592	not to exceed \$100,000 \$25,000	All subject to approval by the Joint Committee
RBC Trustee Services	\$125,000	\$125,000	up to \$10,416.67 monthly
TDAM Investment Services	\$215,000	\$215,000	up to \$17,916.67 monthly

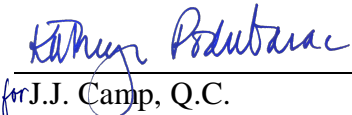
	2016 Budget	2017 Budget	Payment Methodology
Eckler			
General actuarial services and investment review work, not related to sufficiency (exclusive of disbursements)	\$50,000	\$50,000	All subject to approval by the Joint Committee
Special Projects (incl. investment guidelines)	\$25,000	\$25,000	
Supporting HCV Special Distribution Benefits implementation	0	\$25,000	
Supporting HCV Late Claims Benefits Plan implementation	0	\$25,000	
2016 Sufficiency Review – Phase 1 (including for 2016-HCV Special Distribution Benefits and HCV Late Claims Benefits Plan)	\$613,600*	\$700,000 fees and \$5,000 disbursements	
Dr. Murray Krahn and Medical Modelling Working Group	\$200,200**	\$201,824	Subject to approval by the Joint Committee
Medical model			
PWC	\$10,000	\$10,000	Subject to approval by the Joint Committee
Income Loss-annual computer programming update			
Paula Frederick / Cohen Hamilton Steger	\$30,000	\$40,000	Subject to approval by the Joint Committee
Specialized Income Loss analysis			

	2016 Budget	2017 Budget	Payment Methodology
Joint Committee			
Regular administration and supervision work	\$600,000 fees and \$50,000 disbursements	\$650,000 fees and \$75,000 disbursements	All subject to Court order
Implementation of HCV Special Distribution Benefits and HCV Late Claims Benefits Plan	0	\$250,000 fees and \$15,000 disbursements	
2016 Sufficiency Review – Phase 1	\$617,485*	\$500,000 fees and \$50,000 disbursements	
Special Projects (incl. trust expert)	\$25,000	\$25,000	


* The 2013 Sufficiency Review – Phase 1 cost has been included in the chart as the comparable since the 2016 Sufficiency Review budget related to Phase 2.

** The 2013 Sufficiency Review cost has been included in the chart as the comparable.

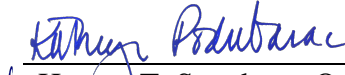
Dated: July 14, 2017


 for J.J. Camp, Q.C.
 Camp Fiorante Matthews Mogerman


Dated: July 14, 2017


 for Michel Savonitto
 Savonitto & Ass. Inc.

Dated: July 14, 2017


for Harvey T. Strosberg, Q.C.
Strosberg Sasso Sutts LLP

Dated: July 14, 2017


Kathryn Podrebarac
Podrebarac Barristers
Professional Corporation

*Proprietary, personal and financially sensitive information has been excluded from the publicly-disclosed copies of this report.

Financial statements of
États financiers du

The 1986 - 1990 Hepatitis C Fund

Fonds Hépatite C 1986 - 1990

December 31, 2016
31 décembre 2016

The 1986 - 1990 Hepatitis C Fund

December 31, 2016

Fonds Hépatite C 1986 - 1990

31 décembre 2016

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Independent Auditor's Report

To the Joint Committee of the
1986 - 1990 Hepatitis C Fund

We have audited the accompanying financial statements of the 1986 - 1990 Hepatitis C Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2016, and the statements of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Rapport de l'auditeur indépendant

Au comité mixte du
Fonds Hépatite C 1986 - 1990

Nous avons effectué l'audit des états financiers ci-joints du Fonds Hépatite C 1986 - 1990 (le « Fonds »), qui comprennent l'état de la situation financière au 31 décembre 2016, et les états des résultats et des flux de trésorerie de l'exercice clos à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes comptables canadiennes pour les organismes sans but lucratif, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de nos audits. Nous avons effectué nos audits selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus lors de nos audits sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Opinion

À notre avis, ces états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière du Fonds au 31 décembre 2016, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice clos à cette date conformément aux Normes comptables canadiennes pour les organismes sans but lucratif.

Deloitte LLP / S.E.N.C.R.L. / S.R.L.

Chartered Professional Accountants
Licensed Public Accountants

March 29, 2017

Comptables professionnels agréés
Experts-comptables autorisés

Le 29 mars 2017

The 1986 - 1990 Hepatitis C Fund

Statement of financial position
as at December 31, 2016
(in thousands of dollars)

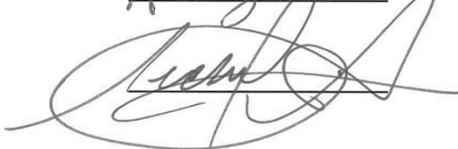
Fonds Hépatite C 1986 - 1990

État de la situation financière
au 31 décembre 2016
(en milliers de dollars)

	2016	2015	
	\$	\$	
Assets			Actif
Current assets			Actif à court terme
Cash	76	87	Encaisse
Investments (note 3)	1,134,661	1,118,693	Placements (note 3)
Contributions receivable	2,116	2,155	Apports à recevoir
	1,136,853	1,120,935	
Liabilities			Passif
Current liabilities			Passif à court terme
Accounts payable and accrued liabilities	714	1,528	Créditeurs et charges à payer
Accrued claims in process of payment	6,772	5,943	Demandes accumulées en cours de paiement
Funding held for future expenses (note 4)	1,129,367	1,113,464	Financement pour charges futures (note 4)
	1,136,853	1,120,935	

Approved by the Joint Committee of
The 1986 - 1990 Hepatitis C Fund

Au nom du Comité mixte du Fonds
Hépatite C 1986 - 1990

Katunz Podubara c
JG Camp per Katunz Podubara
Harvey J Strosberg per H. Rumble Peterson


The 1986 - 1990 Hepatitis C Fund

Statement of operations
year ended December 31, 2016
(in thousands of dollars)

Fonds Hépatite C 1986 - 1990

État des résultats
de l'exercice clos le 31 décembre 2016
(en milliers de dollars)

	2016	2015	
	\$	\$	
Expenses			Dépenses
Claims (note 5)	42,173	52,552	Demandes (note 5)
Operating (note 6)	4,694	4,293	Frais d'exploitation (note 6)
	46,867	56,845	
Revenue	46,867	56,845	Revenus
Excess of revenue over expenses	-	-	Excédent des revenus sur les dépenses

The 1986 - 1990 Hepatitis C Fund

Statement of cash flows
year ended December 31, 2016
(in thousands of dollars)

Fonds Hépatite C 1986 - 1990

État des flux de trésorerie
de l'exercice clos le 31 décembre 2016
(en milliers de dollars)

	2016	2015	
	\$	\$	
Operating activities			Activités d'exploitation
Excess of revenue over expenses	-	-	Excédent des revenus sur les dépenses
Items not affecting cash			Éléments sans incidence sur l'encaisse
Realized losses (gains) on investments	287	(125)	Pertes (gains) réalisées sur placements
Change in unrealized gains and losses on investments	(26,470)	(7,234)	Variation des gains et pertes non réalisés sur placements
	(26,183)	(7,359)	
Changes in non-cash operating working capital items			Variation nette des éléments hors caisse du fonds de roulement d'exploitation
Contributions receivable	39	(431)	Apports à recevoir
Accounts payable and accrued liabilities	(814)	764	Créditeurs et charges à payer
Accrued claims in process of payment	829	951	Demandes accumulées en cours de paiement
Funding held for future expenses	15,903	(10,791)	Financement pour charges futures
	(10,226)	(16,866)	
Investing activities			Activités d'investissement
Purchase of investments	(107,262)	(94,964)	Acquisition de placements
Proceeds on sale of investments	117,477	111,917	Produits de la vente de placements
	10,215	16,953	
Net cash inflow (outflow)	(11)	87	Augmentation (diminution) de l'encaisse
Cash, beginning of year	87	-	Encaisse au début
Cash, end of year	76	87	Encaisse à la fin

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

1. Description of the Fund

The 1986 - 1990 Hepatitis C Fund (the "Fund") was established to hold and invest funds and administer their payment as compensation to claimants who qualify as class members, all pursuant to the terms of the January 1, 1986 - July 1, 1990 Hepatitis C Settlement Agreement (the "Agreement") made as of June 15, 1999 and the Judgments of the Supreme Court of British Columbia, Superior Court of Justice for Ontario and Superior Court of Quebec (the "Courts").

The maximum obligations to the Fund established as at January 10, 2000 were \$1.203 billion, shared between the Government of Canada (72.7273%) and the governments of the provinces and territories (27.2727%), plus interest accruing thereafter on the unpaid obligations. The Government of Canada has made contributions to the Fund, which totally satisfy its obligation to the Fund. The provincial and territorial governments are required to contribute as and when required for payment of their share of expenses. Provinces and territories may elect to prepay their contributions. As at December 31, 2016, the provinces and territories prepaid contributions total \$12,000 (2015 - \$13,000). To the extent provinces and territories do not prepay their contributions, interest is calculated on their outstanding obligations at treasury bill rates applied quarterly. As at December 31, 2016, those obligations including interest are estimated to be \$121,377,000 (2015 - \$133,670,000).

The operations of the Fund are subject to various reviews and approvals by the Courts.

The Fund is a trust that is exempt from income tax under the Income Tax Act.

2. Significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

1. Description du Fonds

Le Fonds Hépatite C 1986 - 1990 (le « Fonds ») a été constitué dans le but de conserver et d'investir des fonds et de gérer leur versement sous forme d'indemnités aux requérants admissibles comme personnes inscrites au recours collectif, conformément aux modalités de l'entente de règlement relative à l'hépatite C pour la période allant du 1^{er} janvier 1986 au 1^{er} juillet 1990 (l'« entente »), datée du 15 juin 1999, et aux décisions de la Cour suprême de la Colombie-Britannique, de la Cour supérieure de justice de l'Ontario et de la Cour supérieure du Québec (les « tribunaux »).

Au 10 janvier 2000, les obligations maximales revenant au Fonds s'élevaient à 1,203 milliards de dollars, et elles étaient partagées entre le gouvernement du Canada (72,7273 %) et les gouvernements provinciaux et territoriaux (27,2727 %), plus les intérêts cumulés par la suite sur les obligations impayées. Le gouvernement du Canada a versé des apports au Fonds, lesquels règlent entièrement son obligation envers le Fonds. Les gouvernements provinciaux et territoriaux sont tenus de verser des apports pour régler leur part des charges au moment où elles deviennent exigibles. Les provinces et les territoires peuvent choisir de verser leurs apports à l'avance. Au 31 décembre 2016, les apports des provinces et territoires versés à l'avance totalisent 12 000 \$ (13 000 \$ en 2015). Dans la mesure où ils ne versent pas d'apports à l'avance, l'intérêt est calculé trimestriellement sur les obligations impayées aux taux des bons du Trésor. Au 31 décembre 2016, ces obligations, intérêts compris, sont estimées à 121 377 000 \$ (133 670 000 \$ en 2015).

Les activités du Fonds sont assujetties à divers examens et approbations des tribunaux.

Le Fonds est une fiducie exonérée de l'impôt sur les bénéfices en vertu de la Loi de l'impôt sur le revenu.

2. Principales méthodes comptables

Méthode de présentation

Les états financiers ont été dressés conformément aux Normes comptables canadiennes pour les organismes sans but lucratif et tiennent compte des principales méthodes comptables suivantes :

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

2. Significant accounting policies (continued)

Financial instruments

Financial instruments include cash, contributions receivable, investments and accounts payable and accrued liabilities and claims payable.

All financial assets and liabilities are initially recognized at fair value and subsequently they are measured at amortized cost with the exception of cash and investments which are measured at fair value.

Transaction costs

Transaction costs are expensed as incurred.

Liabilities and funding for future payments

These financial statements do not present liabilities for payments to be made to class members in future years nor the related future funding requirements of provincial and territorial governments.

Revenue recognition

The Fund follows the deferral method of accounting for contributions. Revenue is recognized as expenses are incurred and shares of such expenses are allocated to governments, as set out in the Agreement. To the extent that contributions are paid to the Fund in advance of expenses being incurred and allocated, the contributions and the investment earnings thereon are deferred and recorded as funding held for future expenses. Accordingly, the funding held for future expenses includes:

- Funding contributed in payment of the Government of Canada obligation;
- Contributions prepaid by provinces and territories, if any; and
- Investment earnings for the period.

As expenses are incurred and allocated, amounts are deducted from the balance of the funding held for future expenses and are recognized as revenue.

2. Principales méthodes comptables (suite)

Instruments financiers

Les instruments financiers comprennent l'encaisse, les apports à recevoir, les placements, créiteurs et charges à payer et les demandes accumulées en cours de paiement.

Les actifs et passifs financiers sont comptabilisés initialement à la juste valeur et sont ensuite comptabilisés au coût amorti à l'exception de l'encaisse et des placements qui sont comptabilisés à la juste valeur.

Coûts de transaction

Les coûts de transaction sont comptabilisés comme dépenses lorsqu'ils sont encourus.

Obligations et financement pour paiements futurs

Ces états financiers ne présentent aucune obligation pour des paiements futurs devant être faits aux personnes inscrites aux recours collectifs, ni aucune exigence connexe future en matière de financement des gouvernements provinciaux et territoriaux.

Constataion des revenus

Le Fonds comptabilise les apports selon la méthode du report. Les revenus sont comptabilisés à mesure que les charges sont engagées, et une tranche de ces charges est attribuée aux gouvernements, comme le prévoit l'entente. Lorsque les apports sont versés au Fonds avant que les charges ne soient engagées et réparties, les apports et le revenu de placement en décaissant sont reportés et constatés à titre de financement pour charges futures. Par conséquent, le financement pour charges futures comprend ce qui suit :

- Apport sous forme de paiement de l'obligation du gouvernement du Canada;
- Apports versés à l'avance par les gouvernements provinciaux et territoriaux, le cas échéant;
- Revenus de placement de la période.

À mesure que les charges sont engagées et réparties, les montants sont déduits du solde du financement pour charges futures et comptabilisés dans les revenus.

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

2. Significant accounting policies (continued)

Revenue recognition (continued)

Where provincial and territorial governments have not prepaid contributions and expenses are allocated to them, such amounts are requisitioned by the Fund and are recognized directly as revenue of the Fund.

Claims

A claim is recognized as an expense in the period in which the claim approval process has been completed.

Operating expenses

Operating expenses are recorded in the period in which they are incurred. Operating expenses are subject to approval by the Courts.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the fair value of investments and the amount of accrued liabilities. Actual results could differ from these estimates.

Foreign currency

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end. Resulting gains or losses from changes in these rates are included in investment earnings.

2. Principales méthodes comptables (suite)

Constatation des revenus (suite)

Lorsque les apports ne sont pas versés à l'avance par les gouvernements provinciaux et territoriaux et que des charges leur sont attribuées, ces montants leur sont demandés par le Fonds puis comptabilisés directement dans les revenus.

Demandes

Les demandes sont constatées à titre de charges dans la période au cours de laquelle le processus d'approbation des demandes a été mené à terme.

Frais d'exploitation

Les frais d'exploitation sont constatés dans la période au cours de laquelle ils sont engagés. Ils sont assujettis à l'approbation des tribunaux.

Utilisation d'estimations

Dans le cadre de la préparation des états financiers, conformément aux Normes comptables canadiennes pour les organismes sans but lucratif, la direction doit établir des estimations et des hypothèses qui ont une incidence sur les montants des actifs et des passifs présentés et sur la présentation des actifs et des passifs éventuels à la date des états financiers, ainsi que sur les montants des produits d'exploitation et des charges constatés au cours de la période visée par les états financiers. Les estimations importantes comprennent la juste valeur des placements et le montant des charges à payer. Les résultats réels pourraient varier par rapport à ces estimations.

Devises étrangères

Les opérations libellées en devises étrangères sont converties en dollars canadiens aux taux de change en vigueur aux dates auxquelles les opérations sont effectuées. Les placements et l'encaisse libellés en devises sont convertis aux taux en vigueur à la fin de l'exercice. Les gains ou les pertes de change découlant de la variation de ces taux sont inclus dans le revenu de placement.

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

3. Investments

Investments are summarized as follows:

	2016		2015		
	(in thousands of dollars) (en milliers de dollars)				
	Fair value Juste valeur	Cost	Fair value Juste valeur	Cost	
	\$	\$	\$	\$	
Investment earnings receivable and cash	2,083	2,083	2,142	2,142	Revenus de placement à recevoir et encaisse
Fixed income					Titres à revenue fixe
Government of Canada	883,695	683,128	870,361	686,980	Gouvernement du Canada
Corporate	17,498	17,607	21,928	21,985	Sociétés
Provinces of Canada	9,776	9,944	12,115	12,172	Provinces du Canada
Fixed income pooled funds	58,161	51,269	59,152	51,269	Fonds communs à revenu fixe
	969,130	761,948	963,556	772,406	
Equities - Pooled Funds					Actions - Fonds communs
Canadian	75,156	59,311	65,382	59,296	Canadiens
Foreign					Étrangers
U.S.	51,192	27,673	48,531	27,673	Américains
International	37,100	31,612	39,082	31,612	Internationaux
	163,448	118,596	152,995	118,581	
	1,134,661	882,627	1,118,693	893,129	

Determination of fair value

Fixed income includes debt obligations of governments and corporate bodies paying interest at rates appropriate to the market at the date of their purchase. Bonds are recorded at prices based upon published bid prices. The fixed income portfolio's sensitivity to a change in market rates is represented by the duration of the portfolio. As at December 31, 2016, the average duration of the bonds and debentures in the portfolio, weighted on fair value, was 17.3 years (2015 - 17.8 years).

Pooled fund units are valued at prices based on the market value of the underlying securities held by the pooled funds.

Détermination de la juste valeur

Les titres à revenu fixe proviennent de titres de créance de gouvernements et de sociétés qui versent des intérêts à des taux conformes à ceux du marché à la date d'achat. Les obligations sont comptabilisées à des prix offerts publiés. La sensibilité du portefeuille de titres à revenu fixe aux variations des taux d'intérêt du marché correspond à la durée du portefeuille. Au 31 décembre 2016, la durée moyenne des obligations et des débetures du portefeuille, pondérée selon la juste valeur, était de 17,3 ans (17,8 ans en 2015).

Les fonds communs sont évalués selon la valeur marchande des titres sous-jacents détenus par les fonds communs.

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

3. Investments (continued)

Investment risk

Investment in financial instruments renders the Fund subject to investment risks. These include the risks arising from changes in interest rates, in rates of exchange for foreign currency, and in equity markets both domestic and foreign. They also include the risks arising from the failure of a counterparty to a financial instrument to discharge an obligation when it is due.

The Fund has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the Fund are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the Fund is represented by the fair value of the investments.

a) Foreign currency risk

Foreign currency exposure arises from the Fund's holdings of non-Canadian denominated investments, as follows:

3. Placements (suite)

Risque de placement

Les placements dans des instruments financiers placent le Fonds face à des risques liés aux placements. Ceux-ci incluent les risques provenant des variations dans les taux d'intérêts, dans les taux de conversion de devises et dans le marché boursier, national et international ainsi que ceux provenant du danger éventuel qu'une des parties engagées par rapport à un instrument financier ne puisse faire face à ses obligations.

Le Fonds a adopté des politiques, des normes et des méthodes pour contrôler le niveau de risque auquel il s'expose. Les habitudes du Fonds en ce qui concerne les placements ont pour but d'éviter tout risque inutile de perte et d'insuffisance d'actif et de fournir une espérance raisonnable quant à leur juste rendement, étant donné la nature des placements. Le maximum de risque auquel s'expose le Fonds se trouve dans la juste valeur des placements.

a) Risque de change

Le risque de change découle de la possession, par le Fonds, de placements qui ne sont pas libellés en dollars canadiens, comme l'indique le tableau suivant :

	2016	2015	
	(in thousands of dollars) (en milliers de dollars)		
	\$	\$	
Equities - Pooled Funds			Actions - Fonds communs
U.S.	51,192	48,531	Américains
International	37,100	39,082	Internationaux
	88,292	87,613	

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

3. Investments (continued)

Investment risk (continued)

b) Concentration risk

Concentration risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The relative proportions of the types of investments, in the portfolio are as follows:

3. Placements (suite)

Risque de placement (suite)

b) Risque de concentration

Le risque de concentration existe lorsqu'une part importante du portefeuille est investie dans des titres ayant des caractéristiques semblables ou qui sont soumis à des conditions similaires d'ordre économique, politique ou autre. Les proportions relatives des types de placements du portefeuille sont les suivantes :

	2016		2015		
	(in thousands of dollars) (en milliers de dollars)				
	Fair value Juste valeur		Fair value Juste valeur		
	\$	%	\$	%	
Investment earnings receivable and cash	2,083	-	2,142	-	Revenus de placement à recevoir et encaisse
Fixed income					Titres à revenue fixe
Government of Canada	883,695	78	870,361	78	Gouvernement du Canada
Corporate	17,498	2	21,928	2	Sociétés
Provinces of Canada	9,776	1	12,115	1	Provinces du Canada
Fixed income pooled funds	58,161	5	59,152	5	Fonds communs à revenu fixe
	969,130	86	963,556	86	
Equities - Pooled Funds					Actions - Fonds communs
Canadian	75,156	7	65,382	6	Canadiens
Foreign					Étrangers
U.S.	51,192	4	48,531	4	Américains
International	37,100	3	39,082	4	Internationaux
	163,448	14	152,995	14	
	1,134,661	100	1,118,693	100	

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

4. Funding held for future expenses

	2016	2015	
	(in thousands of dollars)		
	(en milliers de dollars)		
	\$	\$	
Balance, beginning of year	1,113,464	1,124,255	Solde au début
Changes during the year			Variations au cours de l'exercice
Investment earnings	50,026	30,551	Revenus de placement
Amounts recognized as revenue			Montants constatés comme revenus
Regular	(33,992)	(41,342)	Régulier
Late claims benefits	(46)	-	Réclamations tardives
Special distribution benefits	(85)	-	Indemnités de distribution spéciale
Balance, end of year	1,129,367	1,113,464	Solde à la fin

4. Financement pour charges futures

5. Claims

Claims recognized as expenses of the Fund during the current year consist of the following:

	2016	2015	
	(in thousands of dollars)		
	(en milliers de dollars)		
	\$	\$	
Approved by the Administrator of the Fund			Demandes approuvées par l'Administrateur du Fonds
Disbursed	41,344	51,601	Décaissements
Net change in accrued claims in process of payment	829	951	Variation nette des demandes accumulées en cours de paiement
	42,173	52,552	

5. Demandes

Les demandes comptabilisées dans les charges du Fonds au cours de l'exercice comprennent ce qui suit :

The claims include payments totaling \$480,000 (2015 - \$nil) for HIV secondary claimants.

Les demandes incluent des paiements au total de 480 000 \$ (nul \$ en 2015) pour les requérants infectés indirectement par le VIH.

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

6. Operating expenses

6. Frais d'exploitation

				2016	2015	
	(in thousands of dollars) (en milliers de dollars)					
	Regular	Late claims benefits	Special distribution benefits	Total	Total	
	\$	\$	\$	\$	\$	
Administrator	717	-	-	717	839	Administrateur
Legal (claims' appeal costs, Fund counsel)	655	-	-	655	346	Frais juridiques (frais de demandes en appel, avocats du Fonds)
Joint committee - Administration	482	42	57	581	477	Comité mixte - Administration
Joint committee - Sufficiency review	1,435	-	-	1,435	1,259	Comité mixte - Réévaluation de la suffisance
Jurisdiction appeal	665	-	-	665	228	Jurisdiction - appel
Investment and management	234	-	-	234	240	Gestion des placements
Audit and related services	103	-	8	111	104	Honoraires d'audit et de services connexes
Custodial trustee	128	-	-	128	126	Frais de garde
Actuarial - General	35	4	20	59	32	Honoraires d'actuariat
Actuarial - Sufficiency review	99	-	-	99	632	Honoraires d'actuariat - Réévaluation de la suffisance
Medical and other consulting	10	-	-	10	10	Frais médicaux et autres frais de consultation
	4,563	46	85	4,694	4,293	

7. Subsequent event

Subsequent to the decisions of the Courts on the applications to allocate excess capital which were released in August 2016, the Court Orders in Ontario and British Columbia were finalized and approved by all parties and the Courts in January 2017. A further judgment was rendered by the Quebec Court in February 2017, which added orders to its earlier judgment. From the excess capital, the Courts approved funding a Late Claims Benefit Plan (the terms of which are to be approved by further court applications) in the amount of \$32,450,000, plus administrative costs of \$51,000 and required capital in an amount to be agreed upon or directed by the Courts. The Courts also approved Special Distribution Benefits in the amount of \$130,970,000, plus administrative costs of \$61,000 and required capital in an amount to be agreed upon or otherwise directed by the Courts. In February 2017, the Administrator began processing the payment of Special Distribution Benefits approved by the Court Orders.

7. Événement postérieur

Suite aux décisions des Tribunaux rendues en août 2016 concernant les requêtes pour allouer le capital excédentaire, les ordonnances d'Ontario et de la Colombie-Britannique ont été finalisées et approuvées par toutes les parties et les Tribunaux en janvier 2017. Un jugement additionnel a été rendu en février 2017 par le Tribunal du Québec, ajoutant des ordonnances à son jugement précédent. Du capital excédentaire, les Tribunaux ont approuvé un régime distinct pour les réclamations tardives (dont les modalités doivent être approuvées suite à des requêtes à venir) d'un montant de 32 450 000 \$, plus les frais d'administration de 51 000 \$ et un montant de capital requis à déterminer ou établi selon les directives des Tribunaux. Les Tribunaux ont aussi approuvé un montant de 130 970 000 \$, plus les frais d'administration de 61 000 \$ et un montant de capital requis à déterminer ou établi selon les directives des Tribunaux pour les indemnités de distribution spéciale. En février 2017, l'Administrateur a commencé à traiter les paiements approuvés par ces ordonnances pour les indemnités de distribution spéciale.

The 1986 - 1990 Hepatitis C Fund

Notes to the financial statements
December 31, 2016

Fonds Hépatite C 1986 - 1990

Notes complémentaires
31 décembre 2016

8. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

8. Chiffres comparatifs

Les chiffres comparatifs ont été reclassés afin d'adopter la présentation de celle de l'exercice courant.

Information Brief

RBC Investor & Treasury Services, Trustee and Custodian – Hepatitis C Trust Fund

MARCH 2017

Prepared for:
The Joint Committee of the Hepatitis C Trust Fund

Prepared by:
Sunil Dundee, Client Manager
RBC Investor & Treasury Services



**RBC Investor &
Treasury Services**

The Trustee

RBC Investor & Treasury Services (RBC I&TS) was appointed Trustee and Custodian of the Hepatitis C Trust Fund by the Superior Courts of B.C., Ontario and Quebec on June 15, 1999.

About RBC Investor & Treasury Services

RBC Investor & Treasury Services is a specialist provider of asset servicing, custody, payments and treasury services for financial and other institutional investors worldwide. We serve clients from 19 countries across North America, Europe, Asia and Australia, delivering services to safeguard client assets and maximize liquidity. As a strong, stable partner, focused on meeting our clients' evolving needs, RBC I&TS has an unwavering commitment to managing operational risk in our business and the highest credit ratings among our peers¹. Rated by our clients as the #1 global custodian for six consecutive years², RBC I&TS is trusted with CAD 3.8 trillion in client assets under administration as at January 31, 2017³.

RBC I&TS is a strong, stable partner with consistent credentials focused on meeting our clients' evolving needs. Our clients benefit from our long-standing experience and specialized expertise:

- A worldwide network of offices across four continents, with operational centres of excellence providing service support across the globe
- Part of Royal Bank of Canada, one of the strongest banks in the world¹ and one of the top 15 banks globally based on market capitalization⁴
- Leading offshore provider with centres of excellence in Luxembourg and Dublin, and more than 30 years' UCITS expertise
- Award-winning fund accounting and transfer agency services with lead market shares in Luxembourg and Canada

- Market-leading foreign exchange expertise and currency hedging solutions designed to support our clients in achieving best execution
- Top-rated securities lending and finance services focused on efficiently maximizing client returns
- Leading provider of Canadian clearing, cash management and trade finance for financial institutions
- Custody services across 88 global markets
- Fund administration services in 13 global markets
- Leading voice in industry regulation and market best practices
- 100+ years of history in providing investor and treasury services
- Global industry recognition with top ratings for client service in industry client satisfaction surveys

Products and Services

RBC I&TS' comprehensive product and service offering includes custody, fund/investment administration, shareholder services, performance measurement and compliance monitoring, distribution, transaction banking (including trade finance and insourced solutions), and treasury services (including cash/liquidity management, foreign exchange services and global securities lending).

(1) Determined by Standard & Poor's and Moody's credit ratings as at February 24, 2017; (2) Global Custody Survey, Global Investor ISF, 2011 to 2016; (3) RBC quarterly results released February 24, 2017; (4) Bloomberg as at February 16, 2017

Duties and responsibilities of the Trustee/Custodian

A service team comprising administration and operations managers is responsible for the day-to-day activities of the Hepatitis C Trust Fund, providing a range of specialized services.

Custody and safeguarding of securities

RBC I&TS holds in trust the cash and securities of the Trust Fund. The assets of the Trust Fund are administered by RBC I&TS strictly in accordance with the directions of the Joint Committee or the investment manager appointed by the courts. RBC I&TS ensures the safe custody of the assets and reconciles the securities positions in its books daily using the services of the Canadian Depository for Securities Limited (CDS).

Processing of investment transactions

RBC I&TS completes all securities investment transactions based on authorized instructions received from the investment manager.

Collection of income

RBC I&TS collects and accounts for all items of principal and income. Stock dividends and bond interest are credited to the account on the day they are payable regardless of whether RBC I&TS actually receives the funds. RBC I&TS tracks stock dividends and splits, bond maturities and redemptions. For cash balances held in the fund, interest is automatically credited. Interest is calculated daily and paid to accounts on the last business day of the month.

Contributions

RBC I&TS receives all contributions flowing into the Trust Fund. RBC I&TS credits receipts of those contributions to the appropriate accounts.

Plan disbursements

All plan disbursements are processed in a timely manner in accordance with the terms of our appointment and/or court order. Payments to service providers are made pursuant to the applicable court order.

Maintenance of records

RBC I&TS maintains accurate records with respect to the assets of the Trust Fund and provides timely reports to various parties including:

- **Monthly investment statements:** These statements provide the full financial picture of the Trust Fund including cash reconciliation, investment activity, receipts and disbursements for the reporting period. The reports also provide a list of assets held at a certain date including book value, market value and accrued income. Day-to-day activity is reported in chronological order.
- **Quarterly notional reports:** RBC I&TS maintains notional accounts for each of the provincial and territorial governments. These accounts are maintained on the basis of the sharing percentage provided by the federal government. The report records the governments' proportionate contributions, proportionate interest amount and proportionate disbursements. It also indicates when payments are due and when they are actually received.
- **Monthly financial summary:** This report summarizes, at a high level, the market value of the Trust Fund, the investment income earned, payouts to claimants and service providers, and recoveries from the provinces and territories for those payouts since the inception of the Fund.

Summary of Trust activity

Payments to the Trust Fund

During 2016, the seventeenth year of operation of the Hepatitis C Trust Fund, the Trust Fund received contributions totaling CAD 12,784,124.44 representing payments from provincial and territorial governments.

In addition, the Hepatitis C Trust Fund has earned CAD 23,551,966.81 (includes investment income, realized and unrealized capital gains and losses). The closing market value of the fund at December 31, 2016 was CAD 1,135,855,642.48.

Payments from the Trust Fund

Disbursements from the Trust Fund in 2016 totaled CAD 46,852,662.66 representing CAD 41,344,186.21 to the Administrator for the claimants and CAD 5,508,476.45 to service providers for fees and expenses (including RBC I&TS' trustee and custodial fees).

For the period January 1, 2016 to December 31, 2016 the courts approved a budget of CAD 125,000 for RBC I&TS' Trustee and Custodial fees. The actual charge to the Trust Fund in 2016 for performing various activities and services was CAD 113,227.69 representing fees for 2015 of CAD 21,243.57 and fees for 2016 of CAD 91,984.12.

The total fees of CAD 127,947.30 represent: Custody of assets under administration of CAD 66,726.54, Transaction Fees of CAD 12,101.11, Plan/Reporting/Accounting charges of CAD 30,900.00, Special Reports of CAD 3,500.04 and Taxes (GST/HST) of CAD 14,719.61.

RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services is a specialist provider of asset servicing, custody, payments and treasury services for financial and other institutional investors worldwide. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates.

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1986-1990 Hepatitis C Settlement Trust Fund

Annual Certificate of Compliance

For the year ending: December 31, 2016

To the best of our knowledge, we are in compliance with your investment guidelines.

Compliance verified by:



Michelle Hegeman, CFA
Vice President & Director
Portfolio Management

Date: January 16, 2017

TD Asset Management

**1986 - 1990 Hepatitis C
Settlement Trust Fund**

For Year ending December 31, 2016



1986 - 1990 Hepatitis C Settlement Trust Fund

Investment mandates and performance



Mandates	Performance		Hep C Tracking Target (%)		Market Value
	1 Year	4 Years	Over 1 Year	Over 4 Years	
FIXED INCOME					
Segregated Real Return Bonds (buy-and-hold)	3.86%	2.91%	N/A	N/A	\$862,148,391
Segregated Short-Term Bonds	1.03%	2.12%			
FTSE TMX Canada Short Term Overall Bond Index	1.01%	2.10%	± 0.20	± 0.10	\$52,124,977
Added Value	0.02%	0.02%			
TD <i>Emerald</i> Canadian Bond Index Fund	1.49%	3.04%			
FTSE TMX Canada Universe Bond Index	1.66%	3.13%	± 0.20	± 0.10	\$57,936,393
Difference	-0.17%	-0.09%			
EQUITIES					
TD <i>Emerald</i> Canadian Equity Index Fund	21.01%	8.50%			
Blended Benchmark ¹	21.08%	8.51%	± 0.30	± 0.15	\$72,963,609
Difference	-0.07%	-0.01%			
TD <i>Emerald</i> U.S. Market Index Fund - C\$	7.65%	22.71%			
S&P 500 Total Return Index ND (C\$)	7.38%	22.37%	± 0.30	± 0.15	\$50,238,367
Difference	0.27%	0.34%			
TD <i>Emerald</i> International Equity Index Fund	-2.42%	12.13%			
MSCI EAFE Total Return Index ND (C\$)	-2.49%	12.02%	± 0.60	± 0.30	\$36,013,885
Difference	0.07%	0.11%			
Total Performance	4.51%	4.34%	Total Market Value² = \$1,131,425,622		

¹ S&P/TSX Equity and S&P/TSX Composite Total Return Index (C\$)

² Does not include cash assets of \$64,065

Source: TDAM, Investment Guidelines for the 1986-1990 Hepatitis C Settlement Trust Fund (Revised 2010).

Note: Returns for periods over one year are annualized. Data as at December 31, 2016.

1986 - 1990 Hepatitis C Settlement Trust Fund

Fixed income mandates - performance as at December 31, 2016



Funds	1 Year	3 Years	4 Years	5 Years	10 Years	Since Inception
Segregated Real Return Bonds	3.86%	7.03%	2.91%	2.87%	5.30%	7.23%
Segregated Short Term Bonds	1.03%	2.23%	2.12%	2.10%	3.56%	4.43%
FTSE TMX Canada Short Term Overall Bond Index	1.01%	2.22%	2.10%	2.08%	3.56%	4.44%
Difference	0.02%	0.01%	0.02%	0.02%	0.00%	-0.01%
TD <i>Emerald</i> Canadian Bond Index Fund	1.49%	4.54%	3.04%	3.12%	4.68%	5.67%
FTSE TMX Canada Universe Bond Index	1.66%	4.61%	3.13%	3.22%	4.78%	5.74%
Difference	-0.17%	-0.07%	-0.09%	-0.11%	-0.10%	-0.07%
Canadian Equity ¹	21.01%	7.05%	8.50%	8.18%	4.41%	5.78%
Blended Benchmark ²	21.08%	7.06%	8.51%	8.19%	4.39%	5.64%
Difference	-0.07%	-0.01%	-0.01%	-0.01%	0.02%	0.14%
TD <i>Emerald</i> U.S. Market Index Fund - C\$	7.65%	17.23%	22.71%	20.70%	8.10%	4.12%
S&P 500 Total Return Index ND (C\$)	7.38%	16.90%	22.37%	20.35%	7.77%	3.89%
Difference	0.27%	0.33%	0.34%	0.35%	0.33%	0.23%
TD <i>Emerald</i> International Equity Index Fund	-2.42%	6.44%	12.13%	12.67%	2.29%	2.05%
MSCI EAFE Total Return Index ND (C\$)	-2.49%	6.33%	12.02%	12.55%	2.19%	2.03%
Difference	0.07%	0.11%	0.11%	0.12%	0.10%	0.02%

¹ Canadian Equity exposure history: November 15, 2012 to present: TD *Emerald* Canadian Equity Index Fund; November 18, 2005 to November 15, 2012: TD *Emerald* Canadian Equity Market Pool Fund Trust II; July 8, 2003 to November 18, 2005: TD *Emerald* Canadian Market Capped Pool Fund Trust; February 29, 2000 to July 8, 2003: Canadian Equity Index Fund

² S&P/TSX Equity and S&P/TSX Composite Total Return Index (C\$)

Accounts Inception Date: February 29, 2000.

Source: TDAM, FTSE TMX Global Debt Capital Markets Inc., TSX Group Inc., Standard & Poor's, MSCI.

Note: Returns are net of expenses; numbers may not add due to rounding; returns for periods over one year are annualized. Data as at December 31, 2016.

Sector	Weight (%)	Quarter Return (%)	1 Year Return (%)
Federal	47.71	-0.73	0.13
Provincial	17.33	-0.59	0.87
Municipal	1.50	-0.44	1.07
All Corporates ¹	33.46	-0.13	2.29
<i>Corporate BBB</i>	10.45	0.21	3.27
FTSE TMX Canada Short Term Overall Bond Index		-0.50	1.01

3-Month Commentary

- Short-term yields rose 29 bps to 1.36% over the quarter with short-term government bond prices declined the most, while corporate bond prices fell less so.
- The Bank of Canada maintained its target for the overnight rate at 0.50% and stated that although economic growth has rebounded in the third quarter, more moderate growth is expected going forward. Although consumption growth was strong, supported by the Canada Child Benefit, the BoC highlighted several areas of weakness: business investment and non-energy goods exports which 'continue to disappoint', and the significant amount of economic slack that remains in Canada relative to the U.S.
- Short-term Canadian bonds generated modest negative returns over the fourth quarter of 2016 as the FTSE TMX Canada Short Term Overall Bond Index declined 0.50%.
- Although they posted a negative return, short-term bonds underperformed less so than both medium-term (-3.12%) and longer-term bonds (-7.54%).
- Energy-related issues were the only group to advance over the period, benefiting from rising oil prices.

¹ Including BBB Corporates

Source: TD Asset Management, FTSE TMX Global Debt Capital Markets Inc. As at December 30, 2016.

Sector	Weight (%)	Quarter Return (%)	1 Year Return (%)
Federal	36.74	-3.27	0.00
Provincial	33.76	-4.85	1.76
Municipal	1.87	-3.85	1.98
All Corporates ¹	27.62	-1.82	3.73
<i>Corporate BBB</i>	10.39	-1.58	5.15
FTSE TMX Canada Universe Bond Index		-3.44	1.66

3-Month Commentary

- Yields began to rise in the fourth quarter largely as a result of the U.S. Federal Reserve's interest rate increase and the proposed policies of president elect Donald Trump: infrastructure spending, tax cuts, as well as fewer regulations in select industries. In turn, the Canadian yield curve rose and steepened, with the benchmark Government of Canada 10-year bond ending the period yielding 1.72%, up from 1.00% at the beginning of the quarter.
- Canadian bonds, as represented by the FTSE TMX Canada Universe Bond Index, declined 3.44% over quarter. Long-term bonds lost 7.54%, followed by mid-term bonds, which lost 3.12%. Short-term bonds fell the least, losing 0.50%.
- The average yield on the FTSE TMX Universe Bond Index increased 43 bps, ending the quarter at 2.14%. Short-term yields rose 29 bps to 1.36%, mid-term yields rose 59 bps to 2.21% and long-term yields ended the period at 3.21%, rising 58 bps.
- Investment-grade corporate bonds declined 1.8% and outperformed government bonds, which declined 4.0%. Credit markets held up well as investment-grade credit spreads narrowed from 1.48% to 1.35% over the quarter, levels not seen since late-2014.

¹ Including BBB Corporates

Source: TD Asset Management, FTSE TMX Global Debt Capital Markets Inc. As at December 30, 2016.

Sector	Weight (%)	Quarter Return (%)	1 Year Return (%)
Financials	34.99	11.54	24.10
Energy	21.43	6.99	35.45
Materials	11.81	-6.21	41.20
Industrials	8.88	5.30	22.79
Consumer Discretionary	5.03	1.53	10.69
Telecommunication Services	4.83	-2.83	14.69
Consumer Staples	3.84	-1.53	7.48
Real Estate	3.03	0.12	9.06
Information Technology	2.74	-0.54	5.20
Utilities	2.83	-0.37	17.69
Health Care	0.60	-28.56	-78.45
S&P/TSX Composite Total Return Index		4.54	21.08

3-Month Commentary

- Canadian equities posted strong returns over the quarter as the S&P/TSX Composite Index closed the period up 4.54%. However, performance was mixed from a sector perspective as 6 of 11 sectors finished the quarter lower.
- The Financials sector was the strongest-performing sector over the quarter, up 11.54%. The Energy sector also performed well as Organization of Petroleum Exporting Countries ("OPEC"), as well as non-OPEC countries such as Russia, agreed to cut production sizeably starting January 2017. This is the first production cut in eight years and caused oil prices to increase substantially.
- The Health Care and Materials sectors were the two main detractors. Materials declined largely due to falling gold prices given investor's appetite for riskier assets increasing following Donald Trump's win of the U.S. election.
- The Bank of Canada held interest rates unchanged and noted a third quarter rebound of the economy following a very weak first half of 2016.

Source: TD Asset Management, TMX Group Ltd. As at December 30, 2016.

Sector	Weight (%)	Quarter Return (%)	1 Year Return (%)
Information Technology	20.76	3.26	9.91
Financials	14.81	23.57	18.55
Health Care	13.63	-2.05	-6.06
Consumer Discretionary	12.03	4.40	2.36
Consumer Staples	9.37	-0.02	1.73
Industrials	10.27	9.39	14.75
Energy	7.56	9.46	22.95
Utilities	3.17	2.18	12.26
Real Estate	2.89	-2.46	-0.18
Materials	2.84	6.84	12.65
Telecommunication Services	2.66	6.91	19.21
S&P 500 Total Return Index (C\$)¹		5.94	8.09

3-Month Commentary

- The S&P 500 Total Return Index posted gains of 3.82% in local currency terms, and returned 5.94% in Canadian dollar terms. The U.S. Federal Reserve's ("Fed") interest rate increase in December caused a strengthening of the U.S. dollar versus the Canadian dollar, which enhanced returns for Canadian investors. In 2016 however, the Canadian dollar has risen by almost 3% against the U.S. dollar, detracting from relative returns.
- The fourth quarter saw investors focused on the U.S. presidential election which saw Donald Trump victorious. The administration has promised infrastructure spending, tax cuts and fewer regulations in select industries, all of which appear to be pro-growth. This will be in addition to an already improving economy.
- Nine of the index's eleven sectors posted positive results. Gains were led by Financials, which was up 23.57% in Canadian dollar terms amid rising yields and expectations of deregulation of the industry once president elect Donald Trump takes over the White House. The Energy sector also gained as an agreement by OPEC and non-OPEC countries to cut production in January sent oil prices substantially higher.
- The Real Estate, Health Care and Consumer Staples sectors were the three detractors over the quarter.

¹ Source from Standard & Poor's

Source: TD Asset Management, Bloomberg Finance L.P. As at December 30, 2016. Note: Performance numbers in C\$ terms.

Country	Weight (%)	Quarter Return (%)	1 Year Return (%)
Japan	24.13	2.00	-1.31
United Kingdom	18.33	1.12	-3.56
France	10.18	5.03	1.25
Switzerland	8.66	-1.90	-8.16
Germany	9.30	3.52	-0.80
Australia	7.40	2.74	7.59
Spain	3.14	4.32	-4.44
Hong Kong	3.25	-7.11	-1.27
Netherlands	3.31	-0.10	1.19
Sweden	2.84	1.18	-2.86
Italy	2.08	13.01	-13.55
Denmark	1.65	-6.88	-18.68
Belgium	1.18	-10.00	-10.77
Singapore	1.24	-1.67	-2.09
Finland	0.96	-2.45	-8.00
Israel	0.68	-9.51	-27.47
Norway	0.66	4.49	9.39
Ireland	0.47	2.18	-10.28
Austria	0.20	8.68	7.41
New Zealand	0.18	-9.06	14.28
Portugal	0.15	-0.94	0.01
MSCI EAFE Index ND (C\$) ¹		1.31	-2.49

3-Month Commentary

- International equities as a whole generated modestly positive returns over the quarter, with the MSCI EAFE Index ND (C\$) rising 1.31%. The Canadian dollar appreciated against a handful of major currencies, including the Japanese yen, British pound and the euro, which hurt relative returns for Canadian investors.
- Japanese equities rose during the quarter, helped by the weakness of the yen. The Bank of Japan also left monetary policy largely unchanged while noting a moderate recovery in the economy.
- Although the pound strengthened late in the quarter it is still down noticeably following the Brexit vote in June, benefitting multinational companies listed on the FTSE 100 Index, which posted gains over the quarter. The Bank of England kept monetary policy unchanged, reiterating that it stands ready to make changes depending on how the economy reacts to the Brexit process.
- The European Central Bank left interest rates unchanged and extended its quantitative easing until at least December 2017, after which inflation and economic targets will determine an extension. The defeat of Italian Prime Minister Matteo Renzi in a referendum over his plan to reform the country's constitution created further uncertainty in Europe.

¹ Source from MSCI Inc. Source: TD Asset Management, Wilshire Atlas. As at December 30, 2016. Note: Performance in C\$ terms. Total returns net of withholding taxes.

TD Asset Management

Appendix



TD *Emerald* Pooled Funds

Performance as at December 31, 2016



TD <i>Emerald</i> Funds	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	AUM as at 12/31/2016 (billion)
TD <i>Emerald</i> Canadian Bond Index Fund	-3.48%	1.49%	4.54%	3.12%	4.68%	7.12%	Aug. 7, 1991	\$4.8
FTSE TMX Canada Universe Bond Index	-3.44%	1.66%	4.61%	3.22%	4.78%	7.16%		
Difference	-0.04%	-0.17%	-0.07%	-0.11%	-0.10%	-0.04%		
TD <i>Emerald</i> Canadian Equity Index Fund	4.53%	21.01%	7.06%	8.24%	4.74%	8.66%	Jul. 4, 1991	\$4.6
S&P/TSX Composite Total Return Index	4.54%	21.08%	7.06%	8.25%	4.72%	8.53%		
Difference	-0.01%	-0.08%	-0.01%	-0.01%	0.02%	0.13%		
TD <i>Emerald</i> U.S. Market Index Fund - C\$	5.84%	7.65%	17.25%	20.72%	8.10%	6.24%	Aug. 29, 1997	\$2.1
S&P 500 Total Return Index ND (C\$)	5.77%	7.38%	16.91%	20.38%	7.78%	6.05%		
Difference	0.07%	0.27%	0.33%	0.34%	0.33%	0.19%		
TD <i>Emerald</i> International Equity Index Fund	1.31%	-2.42%	6.45%	12.69%	2.30%	4.12%	Jul. 31, 1995	\$3.7
MSCI EAFE Total Return Index ND (C\$)	1.31%	-2.49%	6.34%	12.57%	2.19%	4.17%		
Difference	0.00%	0.07%	0.11%	0.12%	0.11%	-0.05%		

Sources: TDAM, FTSE TMX Global Debt Capital Markets Inc., TSX Group Inc., Standard & Poor's, MSCI. Data as at December 31, 2016.
 Note: Returns are net of expenses; numbers may not add due to rounding. Returns for periods over one year are annualized.

1986 - 1990 Hepatitis C Settlement Trust Fund

Investment mandates



Mandates		Benchmark Index	Market Value	Performance	Hep C Tracking Target (%)	
				1 Year	Over 1 Year	Over 4 Years
Fixed Income	Segregated Real Return Bonds (buy-and-hold)	N/A	\$862,148,391	3.86	N/A	N/A
	Segregated Short-Term Bonds	FTSE TMX Canada Short Term Overall Bond Index	\$52,124,977	1.03	± 0.20	± 0.10
	TD Emerald Canadian Bond Index Fund (no BBB-rated corporates)	FTSE TMX Canada Universe Bond Index	\$57,936,393	1.49	± 0.20	± 0.10
Equities	Canadian Equities ¹	Blended Benchmark ²	\$72,963,609	21.01	± 0.30	± 0.15
	TD Emerald U.S. Market Index Fund - C\$	S&P 500 Total Return Index ND (C\$)	\$50,238,367	7.65	± 0.30	± 0.15
	TD Emerald International Equity Index Fund	MSCI EAFE Total Return Index ND (C\$)	\$36,013,885	-2.42	± 0.60	± 0.30

Total Market Value³ = \$1,131,425,622

Tracking within expected tolerances

¹ Canadian Equity exposure history:

November 15, 2012 to present: TD *Emerald* Canadian Equity Index Fund;
 November 18, 2005 to November 15, 2012: TD *Emerald* Canadian Equity Market Pool Fund Trust II;
 July 8, 2003 to November 18, 2005: TD *Emerald* Canadian Market Capped Pool Fund Trust;
 February 29, 2000 to July 8, 2003: Canadian Equity Index Fund

² S&P/TSX Equity and S&P/TSX Composite Total Return Index (C\$)

³ Does not include cash assets of \$64,065

As at December 31, 2016.

Source: TDAM, Investment Guidelines for the 1986-1990 Hepatitis C Settlement Trust Fund (Revised 2010).

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Please read the fund facts and prospectus, which contain detailed investment information, before investing. The indicated rates of return are the historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unit holder that would have reduced returns. Management fees and expenses may all be associated with these mutual fund investments. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated. Mutual fund strategies and current holdings are subject to change.

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REPORT OF ECKLER LTD. ACTIVITIES

The firm of Eckler Ltd. was engaged to provide the Trust with continuing actuarial advice during the period from January to December 2016. During this fiscal year Eckler Ltd carried out extensive work in connection with the proposed allocation of the 2013 sufficiency assessment Actuarially Unallocated Assets. In addition, Eckler provided advice on changes to the investment strategy of the equities managed by TD Asset Management. Eckler provided continuing assistance to the Joint Committee on a number of issues including: review of TD asset reports; review of Royal Trust asset statements; checking Royal Trust quarterly interest calculations/allocations; reconciling various asset statements; reviewing/updating investment results; preparation of investment summary for the Joint Committee; updating payment amounts for the change in the Pension Index for 2017; various discussions with counsel; and other miscellaneous items.



Hepatitis C Settlement Trust Fund

Investment Summary as at December 31, 2016

March 15, 2017

Beyond the numbers, a fractal is a striking mathematical pattern which repeats in ever smaller scales.

Overview

- Total assets consist of two main components:
 - An Investible Fund, split into two portfolios
 - Long Term Fund investing in real return bonds, equities and other bonds
 - Short Term Fund investing in short term bonds
 - A Notional Fund, consisting of amounts owed by the provincial and territorial governments
- Investible assets are managed by TD Asset Management, either passively or on an indexed basis
- RBC Dexia are the custodians of the investible assets
- Our analysis is based on statements provided by both RBC Dexia and TD Asset Management
- In particular:
 - All dollar amounts, including asset values and cashflows, are taken from RBC Dexia accounts
 - Returns are derived from the TD quarterly statements and have not been independently verified
- TD Asset Management is required to certify that it has complied with the investment guidelines specified by the trustees. We have not verified that this has taken place or that the guidelines have been complied with.

Asset Summary

(\$,000's)

Fund	Portfolio	Strategy	Benchmark	Dec-16			Dec-15		
				Value	Asset Alloc	Fund Alloc	Value	Asset Alloc	Fund Alloc
Long term	Real Return Bonds	Passive	80.0%	861,509	79.5%		843,872	79.9%	
	Universe Bonds	Index	6.0%	58,161	5.4%		59,151	5.6%	
	Canadian Equity	Index	7.0%	75,156	6.9%		65,382	6.2%	
	US Equity	Index	3.5%	51,192	4.7%		48,531	4.6%	
	EAFE Equity	Index	3.5%	37,100	3.4%		39,082	3.7%	
	Cash		0.0%	613	0.1%		613	0.1%	
			100.0%	1,083,731	100.0%	86.0%	1,056,632	100.0%	84.2%
Short Term	Short Term Bonds	Index		52,051			63,051		
	Cash			74			79		
				52,125		4.1%	63,130		5.0%
Total Invested Assets *				1,135,856		90.2%	1,119,762		89.2%
Provinces Notional Assets (net of prepayments, including outstanding payments)				123,623		9.8%	135,780		10.8%
Total Assets				1,259,479		100.0%	1,255,541		100.0%

* Total Invested Assets includes prepayments from Yukon
Totals may not add due to rounding

Asset Summary – cont'd

(\$,000's)

Split of Invested Assets between:	Dec-16	Dec-15
Long Term Fund	95.4%	94.4%
Short Term Fund	4.6%	5.6%
Total Invested Assets	100.0%	100.0%

Comments on Asset Summary

As of December 31, 2016:

- Weighting for real return bonds is currently 0.5% below their benchmark of 80% of the Long Term Fund
 - An increase in the underweight from December 31, 2015 (0.1% below benchmark)
- Universe bonds are 0.6% below their benchmark of 6%
 - An increase in the underweight from December 31, 2015 of 5.6%
- Equities are above their benchmark by 1.0%
 - At December 31, 2015 they were 0.5% above their benchmark
- Provinces/Territories' Notional Assets are net of prepayments by Yukon
 - See further detail on page 7
- As a percentage of the Invested Assets, the Long Term Fund has increased from 94.4% to 95.4%, while the Short Term Fund has decreased from 5.6% to 4.6% during the fiscal year

Asset Development

(\$,000's)

		Invested Assets ¹				Provinces' Notional Assets ¹	Total Assets
		Real Return Bond Fund	Other Long Term Funds	Short Term Fund	Total Invested Assets		
Initial, at December 31, 2015		844,422	212,210	63,130	1,119,762	135,780	1,255,541
Investment income (realized and unrealized)		32,814	16,674	674	50,162	628	50,790
Inflow:	Recoveries from Provinces	-	-	12,784	12,784	(12,784)	-
	Additional Prepayments	-	-	-	-	-	-
Outflow:	Benefit Payments	-	-	(41,344)	(41,344)	-	(41,344)
	Expenses	-	-	(5,508)	(5,508)	-	(5,508)
Transfers between funds		(15,177)	(7,212)	22,389	-	-	-
Closing, at December 31, 2016		862,058 ²	221,672 ²	52,125	1,135,856	123,623	1,259,479

1. Invested Assets include PT prepayments; Provinces' Notional Assets are net of prepayments and include outstanding payments
2. These figures differ slightly from those on page 3 because of allocation of cash balances
3. Based on RBC Dexia statements
4. Totals may not add due to rounding

Comments on Asset Development

- Total invested assets (i.e. excluding Provinces/Territories' Notional Assets) have increased since December 31, 2015 by \$16.1m
 - As a result of positive investment returns exceeding the “federal” 8/11ths share of the total payouts
- The Provinces/Territories' Notional Assets have decreased by \$12.2m
 - As a result of their 3/11ths share of the total payout exceeding interest credits at T-bill rates
- Total assets (i.e. including Provinces/Territories' Notional Assets) have increased by \$3.9m
- Benefits are paid from the Short Term Fund
- From June 2002 onwards all recoveries from the provinces were allocated to the Short Term Fund
- TD Asset Management made net transfers from the Long Term Fund to the Short Term Fund of \$22m
 - \$15m from real return bonds in June and December 2016
 - \$7m from other long term funds - spread over the period

Provinces/Territories' Notional Assets

(\$,000's)

	Gross Province/ Territories' Notional Assets	Less Yukon Prepayments	Net Provinces/ Territories' Notional Assets
Initial, at December 31, 2015	135,793	13	135,780
Interest credits	628	-	628
Additional prepayments	-	-	-
3/11 th share of benefits/expenses	(12,785)	(1)	(12,784)
Closing, at December 31, 2016	123,636	13	123,623

Totals may not add due to rounding

Investment Returns

Fund	Portfolio	Fiscal Year Ending				Quarterly Returns Fiscal Dec 2016			
		Dec-13	Dec-14	Dec-15	Dec-16	Mar-16	Jun-16	Sep-16	Dec-16
Long Term	Real Return Bonds	-8.5%	15.7%	2.1%	3.9%	2.8%	4.6%	2.5%	-5.7%
	Universe Bonds	-1.3%	8.7%	3.5%	1.5%	1.4%	2.6%	1.2%	-3.5%
	Canadian Equity	13.0%	10.5%	-8.3%	21.0%	4.5%	5.0%	5.4%	4.5%
	US Equity	40.8%	23.5%	21.2%	7.7%	-5.7%	2.8%	5.0%	5.8%
	EAFE Equity	31.1%	3.8%	19.1%	-2.4%	-9.7%	-0.9%	7.7%	1.3%
	Total	-3.2%	14.6%	2.7%	4.7%	2.0%	4.2%	2.8%	-4.2%
Short Term	Short Term Bonds	1.8%	3.1%	2.6%	1.0%	0.4%	0.6%	0.5%	-0.5%
Total Invested Assets		-2.8%	13.6%	2.6%	4.5%	1.9%	4.1%	2.7%	-4.0%
Notional PT Assets		1.0%	0.9%	0.6%	0.5%	0.1%	0.1%	0.1%	0.1%
Total Assets		-2.3%	11.9%	2.4%	4.1%	1.7%	3.7%	2.4%	-3.6%

1. The 2013, 2014, 2015 and 2016 annual and quarterly returns for the component portfolios are as reported by TD Asset Management in their quarterly investment reports. Eckler has not independently verified these.
2. Aggregated annual and quarterly returns (Total Long Term, Total Invested Assets and Total Assets) are calculated by Eckler taking into account the relative market values, cashflows and investment returns of the component portfolios.
3. Eckler returns are calculated on an approximate basis, using average cashflows; they may differ slightly from returns calculated by a performance measurement service using daily cashflows.

Comments on Investment Returns

- The overall return of positive 4.1% for the 2016 calendar year is the result of positive returns on all portfolios except EAFE equities
- Canadian equities produced the best returns in 2016 of 21.0%, followed by the US equities of 7.7%
- EAFE equities produced the worst returns in 2016 of negative 2.4%
- The Provinces/Territories' Notional Assets increase with interest at the 3-month T-bill rate; in 2016, these rates were lower than the returns on the invested assets

Tracking Error

		Fiscal Year Ending				4 years to Dec 2016	Target Tracking Error	
		Dec-13	Dec-14	Dec-15	Dec-16		1 year	4 years
Universe Bonds	Actual	-1.3%	8.7%	3.5%	1.5%	3.04%		
	Index	-1.2%	8.8%	3.5%	1.7%	3.13%		
	t/e	-0.1%	-0.1%	0.0%	-0.2%	-0.09%	0.20%	0.10%
Canadian Equity	Actual	13.0%	10.5%	-8.3%	21.0%	8.51%		
	Index	13.0%	10.6%	-8.3%	21.1%	8.51%		
	t/e	0.0%	-0.1%	0.0%	-0.1%	0.00%	0.30%	0.15%
US Equity	Actual	40.8%	23.5%	21.2%	7.7%	22.73%		
	Index	40.4%	23.2%	20.8%	7.4%	22.38%		
	t/e	0.4%	0.3%	0.4%	0.3%	0.35%	0.30%	0.15%
EAFE Equity	Actual	31.1%	3.8%	19.1%	-2.4%	12.14%		
	Index	31.0%	3.7%	19.0%	-2.5%	12.03%		
	t/e	0.1%	0.1%	0.1%	0.1%	0.11%	0.60%	0.30%
Short Term Bonds	Actual	1.8%	3.1%	2.6%	1.0%	2.12%		
	Index	1.7%	3.1%	2.6%	1.0%	2.10%		
	t/e	0.1%	0.0%	0.0%	0.0%	0.02%	0.20%	0.10%

Comments on Tracking Error

- US Equity had a tracking error outside the target range for four years ending 2016
- All other portfolios met their tracking error target over both one and four years for 2016

**1986-1990 Hepatitis C Claims Centre
Annual Report for the Period Ending December 31, 2016**

Appointment

Crawford and Company Canada Inc. has been administering the 1986-1990 Hepatitis C Class Action Settlement since our appointment by the Courts March 9, 2000.

Activities of Year 17

1. Complied with all Administrator duties as outlined in Article Five of the Settlement Agreement.
2. Worked in collaboration with the auditors from Deloitte to complete the year-end audit process.
3. Distributed e-mail notices to Class Members providing notice and specifics of the June 2016 Joint Hearing regarding excess capital.
4. Worked with the Joint Committee to implement the decisions of the courts to allocate excess capital to Class Members in the form of Special Distributions.
5. Met with the Joint Committee in March; provided and discussed updated claim statistics.
6. Provided data and follow up information to the Joint Committee with respect to the medical modeling component of the triennial financial sufficiency review as of Dec 31, 2016.
7. Updated the list of HCV Approved Medications as new treatments became generally accepted by the medical community.
8. Continued to provide statistics, feedback and general claim information to the Joint Committee with regards to individuals who are seeking to submit a claim after the June 30, 2010 first claim deadline and who may meet the criteria for the proposed Late Claim Request Protocol.
9. Continued to work in collaboration with Canadian Blood Services, Héma-Québec, provincial hepatitis c programs, and medical experts.
10. Updated the www.hepc8690.ca website monthly and as needed.
11. Prepared files for Fund Counsel, Referees, and Arbitrators and attended three (3) in person hearings and three (3) by conference call.

Key Claims Evaluation Statistics as of December 31, 2016

Funds disbursed	\$917,478,326.23
Claims received	17,545
Claims approved	14,288
Claims denied	3,153
Claims in progress	104
Appeals	482
Decisions Rendered	350
Mediated/Withdrawn/Rescinded/Archived	116
Traceback requests initiated	5,015

Crawford continues to meet or exceed all service performance criteria.

Annual Report 2016

Prepared for:

The Joint Committee of the Hepatitis C 86-90 Trust Fund

Prepared by:

Reva Devins

Associate Chair, Ontario Roster of Arbitrators and Referees

Duties and Responsibilities of Arbitrators and Referees

1. Under the terms of the Court approved settlement, Arbitrators and Referees are responsible for determining all appeals brought by claimants seeking review of the decision of the Administrator. An appeal may proceed by Arbitration or Reference, either by an in person hearing or by review of the written material submitted by the parties. Arbitrators and Referees are to conduct their review using the simplest, least expensive and most expeditious procedure.
2. Upon conclusion of the appeal, the Arbitrator or Referee must release their decision within thirty days of completion of an oral hearing or within thirty days following receipt of final written submissions. Reasons for Decision are released in writing to the individual claimant and to Fund Counsel representing the Administrator. In all decisions, the Arbitrator or Referee must state the facts and conclusion without identifying the claimant; decisions are then posted on the Website.

Roster of Arbitrator/Referees

3. There are currently 13 active Court appointed Arbitrator/Referees: one in each of Alberta, Saskatchewan, Manitoba, Nova Scotia and Quebec (appointed December 8, 2016), two in British Columbia and 6 in Ontario, including a French speaking Arbitrator/Referee who conducts all French language appeals outside of Quebec and British Columbia.

Appeal Activity

4. The number of new appeals assigned to Arbitrators and Referees remains low.

Financial Activity to December 31, 2016

5. The fees and expenses incurred by the Arbitrators and Referees are summarized below:

	<u>British Columbia</u>	<u>Quebec</u>	<u>Ontario (includes all remaining provinces)</u>
Fees:	\$ 2,720.00	\$0.00	\$34,040.50
Disbursements:	\$ 329.99	\$0.00	\$ 5,445.52
Taxes:	\$ 71.67	\$0.00	\$ 3,666.23
TOTALS	\$ 3,121.66	\$0.00	\$ 43,152.25

In the past fiscal year, three cases were approved for payment in excess of the tariff rate, all in Ontario.

Proposed Budget

6. As in previous years, the number and complexity of appeals pursued by claimants will determine the fiscal needs of Appeal administration. Consequently, absent a reliable predictor of incoming Appeals, the proposed budget for Arbitrators and Referees should be based on expenses, fees and related expenses incurred in the preceding year. We would therefore recommend that the 2017 Budget be set at an amount equal to that actually paid in 2016.

**SUMMARY OF JOINT COMMITTEE WORK
DURING SEVENTEENTH YEAR OF OPERATIONS (2016)**

OVERVIEW

1. The Joint Committee has a mandate to implement the 1986-1990 Hepatitis C Settlement Agreement and Plans, to supervise the ongoing administration of claims, to oversee the performance of the Trust Fund investment portfolio, to oversee services providers and to undertake the triennial fund sufficiency review. The maximum obligations to the Trust Fund established as at January 10, 2000 were \$1.203 billion, shared between the Government of Canada (72.7273%) and the governments of the provinces and territories (27.2727%).
2. In 2016, approximately \$42.2 million in claims were paid. Operating expenses of administration and all service providers were approximately \$4.7 million. The total amount paid for claims over the life of the settlement now totals approximately \$917.5 million.
3. In 2016, the invested assets held by the Trustee increased by about \$16.0 million (net of payments out) and there was a 4.51% return on the total invested assets. As at December 31, 2016, the value of the Trust Fund was approximately \$1.137 billion and the unpaid liability of the provincial and territorial governments was approximately \$121.4 million, such that there was a total of approximately \$1.256 billion available to satisfy the claims of class members.
4. The most time-consuming issues for members of the Joint Committee in 2016 were:
 - (a) in connection with the excess capital allocation hearings following the financial sufficiency review triggered at December 31, 2013, including:
 - (i) preparing a responding brief opposing an application by third parties to intervene in or become a party to the proceedings and be granted an allocation of excess capital;
 - (ii) consulting with the Joint Committee's actuaries and medical advisors;
 - (iii) attending a multi-jurisdiction case management conference;
 - (iv) reviewing Canada's application and evidence in support of its request for the excess capital, preparing responding medical and actuarial evidence, preparing written cross-examinations of Canada's witnesses and reviewing Canada's reply evidence;
 - (v) preparing a Joint Record on behalf of the parties and supplemental briefs;
 - (vi) communicating with class members seeking to make their own applications and their counsel and reviewing their applications, evidence and submissions;

- (vii) preparing comprehensive written submissions to the Courts in support of the Joint Committee's application in favour of class members and opposing Canada's application;
 - (viii) preparing for and attending the 3 day joint hearing held in Toronto before the three courts;
 - (ix) reviewing the three courts' decisions, consulting with the parties and the Joint Committee's actuaries, and preparing court orders for the British Columbia and Ontario courts reflecting the decisions;
 - (x) preparing a proposed Late Claims Benefit Plan following the judgments rendered by the Courts;
 - (xi) communicating with class members throughout and updating the settlement website home page with respect to the different steps of the allocation applications (Joint hearing dates, recent documentation filings, judgments issued, appeal period, court orders preparation and approval process, etc.); and
 - (xii) consulting separately and collectively with the administrator, the auditor, the trustee and the Joint Committee's actuaries to plan for the new reporting, accounting, claims management software and payment requirements arising from implementing the special distribution benefits and late claims benefit plans;
-
- (b) preparing the applications and material for court approval of the 2015 Annual Report and Financial Statements;
 - (c) preparing for and attending the hearing before the Supreme Court of Canada relating to the jurisdiction of the Court to conduct hearings outside their respective provincial boundaries and a related application by the Province of Ontario;
 - (d) preparing the applications and supporting material for approval of the 2017 Annual Budgets;

5. Other projects commenced and/or completed by the Joint Committee in 2016 were:
- (a) gathering medical information regarding newly licensed Hepatitis C drug treatments that are not insured treatments and discussing these treatments and the funding of them with the Joint Committee's medical advisors and the Administrator;
 - (b) preparing the court application for the appointment of a new referee and arbitrator for the Province of Québec;
 - (c) obtaining different proposals for the CLASS claims management system upgrade, analysing and retaining the best cost/benefit option and supervising its implementation;
 - (d) working with Ontario Fund Counsel and the Monitor on the advancement of dormant appeals;
 - (e) responding to the numerous telephone and email communication from class members and family class members;
 - (f) working on the development of a claims facilitator position to assist class members;
 - (g) seeking medical advice to consider the compensable HCV drug therapy protocol;
 - (h) coordinating the preparation work and update of the medical model for the financial sufficiency review triggered as at December 31, 2016; and
 - (i) responding to various policy issues raised by the Administrator for direction from the Joint Committee.

FINANCIAL MATTERS AND BUDGETARY PROCESS

6. The Joint Committee is responsible for making recommendations to the Courts pertaining to the appointment of service providers, negotiating budgets for service providers, obtaining orders pertaining to approval of the budgets, instructing service providers and receiving and assessing advice and reports from service providers. The service providers to which this description applies include:
- (a) the administrator;
 - (b) the trustee;
 - (c) the investment managers;
 - (d) the auditors;
 - (e) the actuaries; and
 - (f) physicians who assist in medical modelling.

PORTFOLIO OVERSIGHT

7. In 2016, the invested portion of the Trust Fund closed at about \$1.134 billion, which was up by approximately \$16.0 million from the previous year. Approximately \$42.2 million in claims were paid, which was about 19% less than was paid out in the previous year.¹ Approximately \$4.7 million in administration and service provider expenses were paid, which is about a 9.3% increase in expenses from the previous year.² The obligation of the provinces and territories which fund on a pay-as-you go basis is estimated to be about \$121.4 million as at December 31, 2016.
8. The investment portfolio is largely in fixed income instruments, with the greatest portion of the fixed income instruments being real return bonds. A small portion is held in equities. Overall, there was a 4.51% return on the total invested assets in 2016, which was a moderate increase over the prior year.³
9. The vast majority of the assets (approximately \$862.2 million) are invested in Government of Canada Real Return Bonds, which produced a return of 3.86% in 2016. This was an increase over the previous year.⁴ The return on these bonds since inception is 7.23%.
10. The next largest asset class is short term bonds, which produced a return of 1.03% in 2016. This was a decrease over the previous year.⁵ The return on these bonds since inception is approximately 4.43%.
11. The “other” invested assets include bond funds and Canadian and foreign equities. The return on the Canadian bond fund was 1.49%, which was a decrease over the previous year.⁶ The return on Canadian bonds since inception is 5.67%. The return on Canadian equities was 21.01%, which was substantial increase over the previous year, and represented the best return of all invested assets.⁷ The return on Canadian equities since inception is 5.78%. The return on US equities was 7.65%, which was a substantial decrease from the previous year.⁸ The return on US equities since inception is 4.12%. The return

¹ In 2015, approximately \$52.6 million was paid. In 2014, approximately \$46.6 million was paid.

² In 2015, the operating expenses were about \$4.3 million. In 2014, the operating expenses were approximately \$3.2 million.

³ In 2015, the overall return on invested assets was 2.69%. In 2014, the overall return on invested assets was 13.58%.

⁴ In 2015, the return on real return bonds was 2.08%. In 2014, the return on real return bonds was 15.65%.

⁵ In 2015, the return on short term bonds was 2.63%. In 2014, the return on short term bonds was 3.05%.

⁶ In 2015, the return on Canadian bonds was 3.53%. In 2014, the return on Canadian bonds was 4.8%.

⁷ In 2015, the return on Canadian equities was negative 8.27%. In 2014, the return on Canadian equities was 10.5%.

⁸ In 2015, the return on US equities was 21.21%. In 2014, the return on US equities was 23.5%.

on international equities was -2.42%, which was a substantial decrease from the prior year.⁹ The return on international equities since inception is 2.05%.

12. The Trust Fund met the one year and four-year tracking ranges set in the Investment Guidelines for the Trust Fund for all portfolios except US equities, which had a small tracking error outside the target range for four years ending 2016.¹⁰

⁹ In 2015, the return on international equities was 19.06%. In 2014, the return on international equities was 3.8%.

¹⁰ The tracking error target for US equities is 0.15% for four years. The actual tracking error for US equities was 0.35% for four years ending 2016.

YEAR 17 JC FEES

**Joint Committee Fees and Disbursements Incurred in the Period from
January 1, 2016 to December 31, 2016**

JC General work Fees and Disbursements

	British Columbia	Quebec	Ontario (Hemophilic)	Ontario (Transfused)	Total
Fees	\$73,770.00	\$106,387.50	\$111,406.00	\$76,342.00	\$367,905.50
Disbursements	\$11,760.44	\$5,906.52	\$2,478.11	\$6,425.95	\$26,571.02
GST	\$4,264.54	\$5,614.56	n/a	n/a	\$9,879.10
PST	\$5,409.27	\$11,201.02	n/a	n/a	\$16,610.29
HST	n/a	n/a	\$14,804.95	\$10,759.83	\$25,564.78
Total	\$95,204.25	\$129,109.60	\$128,689.06	\$93,527.78	\$446,530.69

Financial Sufficiency Related Fees and Disbursements

	British Columbia	Quebec	Ontario (Hemophilic)	Ontario (Transfused)	Total
Fees	\$243,249.00	\$255,119.50	\$377,093.50	\$280,839.50	\$1,156,301.50
Disbursements	\$33,774.63	\$18,074.81	\$36,747.04	\$23,442.95	\$112,039.43
GST	\$13,847.18	\$13,656.06	n/a	n/a	\$27,503.24
PST	\$17,957.61	\$27,243.86	n/a	n/a	\$45,201.47
HST	n/a	n/a	\$53,793.07	\$39,556.72	\$93,349.79
Total	\$308,828.42	\$314,094.23	\$467,633.61	\$343,839.17	\$1,434,395.43

Special Distribution Benefits (implementation) Related Fees and Disbursements

	British Columbia	Quebec	Ontario (Hemophilic)	Ontario (Transfused)	Total
Fees	\$12,350.00	\$11,830.50	\$11,137.50	\$13,594.00	\$48,912.00
Disbursements	\$260.75	\$174.38	\$433.44	\$1,007.87	\$1,876.44
GST	\$630.54	\$600.24	n/a	n/a	\$1,230.78
PST	\$882.75	\$1,197.49	n/a	n/a	\$2,080.24
HST	n/a	n/a	\$1,504.23	\$1,898.24	\$3,402.47
Total	\$14,124.04	\$13,802.61	\$13,075.17	\$16,500.11	\$57,501.93

Late Claims Benefit Plan Related Fees and Disbursements

	British Columbia	Quebec	Ontario (Hemophilic)	Ontario (Transfused)	Total
Fees	\$2,200.00	\$4,285.00	\$5,062.50	\$25,177.50	\$36,725.00
Disbursements	\$0	\$9.15	\$0.60	\$249.13	\$258.88
GST	\$110.00	\$214.71	n/a	n/a	\$324.71
PST	\$154.00	\$428.34	n/a	n/a	\$582.34
HST	n/a	n/a	\$658.21	\$3,305.46	\$3,963.67
Total	\$2,464.00	\$4,937.20	\$5,721.31	\$28,732.09	\$41,854.60

TOTAL FEES AND DISBURSEMENTS

(all the of the above plus Jurisdiction issues related fees and disbursements)

	British Columbia	Quebec	Ontario (Hemophilic)	Ontario (Transfused)	Jurisdiction issues*	Total
Total Fees	\$331,569.00	\$377,622.50	\$504,699.50	\$395,953.00	\$574,237.50	\$2,184,081.50
Total Disbursements	\$45,795.82	\$24,164.86	\$39,659.19	\$31,125.90	\$54,748.28	\$195,494.05
GST	\$18,852.26	\$20,085.57	n/a	n/a	\$9,244.59	\$48,182.42
PST	\$24,403.63	\$40,070.71	n/a	n/a	\$8,416.24	\$72,890.58
HST	n/a	n/a	\$70,760.46	\$55,520.24	\$54,273.23	\$180,553.93
Total	\$420,620.71	\$461,943.64	\$615,119.15	\$482,599.14	\$700,919.84	\$2,681,202.48

*Appeals regarding jurisdiction issues opposed by the provincial and territorial governments. Disbursements includes fees of agents for the Supreme Court of Canada.

**REPORT OF FUND COUNSEL
(FOR 2016 YEAR END)**

1. The duties and responsibilities of Fund Counsel are defined by Section 7.01 of the January 1, 1986 - July 1, 1990 Hepatitis C Settlement Agreement. These duties and responsibilities include:
 - (a) defending decisions made by the Administrator;
 - (b) defending and advancing the interests of the Trust Fund;
 - (c) receiving financial statements and actuarial and other reports relating to the financial sufficiency of the Trust Fund from time to time;if deemed necessary or desirable by Fund Counsel, making applications to courts pursuant to Section 10.01 of the Settlement Agreement.
2. John Callaghan and Belinda Bain have been appointed as Fund Counsel for the Ontario Class Actions by Order of the Ontario Superior Court of Justice. Mason Poplaw was appointed Fund Counsel for the Quebec Class Actions by Order of the Quebec Superior Court. Gordon J. Kehler was appointed Fund Counsel for the British Columbia Class Actions by Order of the British Columbia Supreme Court, replacing William A. Ferguson.
3. During the fiscal period **January 1, 2016 to December 31, 2016**, Fund Counsel were primarily involved in defending decisions made by the Administrator on appeals instituted by claimants. The appeals are conducted either as References or Arbitrations. Appeals can be conducted in writing or in person. In each case, written submissions are delivered to the claimant and the Referee/Arbitrator in advance of the appeal. When the appeal is conducted in person, Fund Counsel attends the hearing. The hearing is held where the claimant resides.
4. If the appeal is conducted by way of Reference, the Referee's decision is final and binding within 30 days of the release of the decision unless a claimant opposes confirmation within the 30 day period. If confirmation of the Referee's decision is opposed by the claimant, the Referee's decision is reviewed by the Court.
5. In addition to the appeals, Fund Counsel have also handled claims where court approval was necessary for payments involving minors or a mentally incompetent adult.
6. Fund Counsel also receive and review financial statements and other reports relating to the financial sufficiency of the Trust Fund.

7. Below is a report of the activities of each Fund Counsel in relation to the appeals conducted:

(a) **Ontario Fund Counsel**

Ontario Fund Counsel handles appeals from Claimants in Alberta, Manitoba, Ontario, Saskatchewan, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, Yukon Territory, The Northwest Territories and Nunavut. Ontario Fund Counsel is also a party to a proceeding in the Supreme Court of Canada addressing certain issues arising from the operation of the Settlement Agreement.

Number of total appeals received from the beginning to Dec 31, 2016	328
Number of appeals received from January 1, 2016 to December 31, 2016	2
Number of total completed appeals (decisions rendered) from the beginning to December 31, 2016	237
Number of completed appeals (decisions rendered) from January 1, 2016 to December 31, 2016	9
Number of total withdrawals from the beginning to December 31, 2016	46
Number of withdrawals from January 1, 2016 to December 31, 2016	2
Number of total rescissions of denial from the beginning to December 31, 2016	22
Number of rescissions of denial from January 1, 2016 to December 31, 2016	0
Number of total Mediated Appeals from January 1, 2016 to December 1, 2016	7
Number of Mediated appeals from January 1, 2016 to December 31, 2016	0
Number of Archived Appeals	3
Number of pending Appeals as of December 31, 2016	12
Number of total requests for judicial confirmation from the beginning to December 31, 2016	56
Number of requests for judicial confirmation from January 1, 2016 to December 31, 2016	2
Number of total judicial decisions from the beginning to December 31, 2016	50
Number of judicial decisions from January 1, 2016 to December 31, 2016	5

Number of Appeals Justice Winkler sent back to Referee up to December 31, 2016	4
Number of Appeals that have been sent back that are concluded	3
Number of Appeals sent back by Justice Winkler that have been withdrawn by claimant up to December 31, 2016	1
Total Number of pending Appeals as of December 31, 2016	12

Archived – Represents appeals where the Claimant cannot be located before a decision has been rendered or the Arbitrator or Referee has agreed to an indefinite adjournment.

8. This past year, Ontario Fund Counsel participated in the Supreme Court of Canada case to address the inherent powers of the court to jointly address matters of concern to the Fund in a single sitting. In addition, Ontario Fund Counsel participated in the court proceedings regarding surplus allocation which was jointly heard by all 3 judges.

Ontario Fund Counsel incurred fees of **\$350,663.00** plus GST/HST. Ontario Fund Counsel incurred disbursements in the amount of **\$16,581.43** plus GST/HST, **\$5,999.98** of which related to travel expenses. The total amount of taxes incurred on fees and expenses was **\$47,739.20**. No expert witness expenses were incurred. With taxes, the total amount of fees and disbursements incurred is **\$414,983.63**.

(b) **Quebec Fund Counsel**

Particulars of the appeals are as follows:

Number of total appeals received from the beginning to December 31, 2016:	80
Number of appeals received from January 1, 2016 to December 31, 2016:	1
Number of total completed appeals (decisions rendered) from the beginning to December 31, 2016:	63
Number of completed appeals (decisions rendered) from January 1, 2016 to December 31, 2016:	0
Number of total withdrawals from the beginning to December 31, 2016:	10
Number of withdrawals from January 1, 2016 to December 31, 2016:	0
Number of total mediated appeals from the beginning to December 31, 2016:	1

Number of mediated appeals from January 1, 2016 to December 31, 2016:	0
Number of total rescissions of denial from the beginning to December 31, 2016:	5
Number of rescissions of denial from January 1, 2016 to December 31, 2016:	0
Number of pending appeals as of December 31, 2016:	1
Number of total requests for Judicial confirmation from the beginning to December 31, 2016:	22
Number of requests for Judicial confirmation from January 1, 2016 to December 31, 2016	0
Number of total Judicial decisions from the beginning to December 31, 2016:	20
Number of requests for Judicial confirmation withdrawn by claimant to December 31, 2016	1
Number of judicial decisions from January 1, 2016 to December 31, 2016:	0

Quebec Fund Counsel incurred fees of **\$9,369.03** plus tax. Quebec Fund Counsel incurred disbursements in the amount of **\$338.67** plus tax. The total amount of taxes incurred on fees and expenses is **\$1,450.58**. As per Quebec Fund Counsel, disbursements related to taxis to/from the courthouse, meals during court hearings, and occasional fees for messengers and bailiffs. With taxes, the total amount of fees and disbursements incurred in Quebec is **\$11,158.28**.

(c) **British Columbia**

Particulars of the appeals are as follows:

Number of total appeals received from the beginning to December 31, 2016:	74
Number of appeals received from January 1, 2016 to December 31, 2016:	1
Number of total completed appeals (dec rendered) from the beginning to December 31, 2016:	50
Number of completed appeals (dec rendered) from January 1, 2016 to December 31, 2016:	1
Number of total withdrawals from the beginning to December 31, 2016:	16

Number of withdrawals from January 1, 2016 to December 31, 2016:	0
Number of total rescissions from the beginning to December 31, 2016:	0
Number of rescissions from January 1, 2016 to December 31, 2016:	0
Number of total mediated appeals from the beginning to December 31, 2016:	1
Number of mediated appeals from January 1, 2016 to December 31, 2016:	0
Number of Archived Appeals	4
Number of Archived Appeals from January 1, 2016 to December 31, 2016	0
Number of pending appeals as of December 31, 2016:	3
Number of total request for judicial confirmation from the beginning to December 31, 2016:	19
Number of requests for judicial confirmation from January 1, 2016 to December 31, 2016:	0
Number of total judicial decisions from the beginning to December 31, 2016:	19
Number of judicial decisions from January 1, 2016 to December 31, 2016:	0

B.C. Fund Counsel incurred fees in the amount of **\$25,967.50** plus tax. B.C. Fund Counsel incurred disbursements in the amount of **\$122.32** plus tax. The total amount of taxes incurred on fees and expenses is **\$3,122.23** (GST was paid in the amount of \$1,304.50 and PST in the amount of \$1,817.73). There were no costs incurred with respect to expert fees or travel expenses. With taxes, the total amount of fees and disbursements incurred in B.C. is **\$29,212.05**.

Appeals that are pending generally fall into one of the following categories:

- (a) Appeals that have been requested but not yet commenced. Some Arbitrators and Referees schedule a pre-appeal conference call before a date for the appeal is set. This can result in the delay in scheduling a date for the appeal. Often, claimants require additional time to collect evidence before commencing the appeal. Fund Counsel generally consent to a reasonable period of delay for the benefit of the claimant.
- (b) Appeals that have been commenced but not yet concluded. Appeals are often adjourned to allow the claimant an opportunity to collect and provide additional evidence. Fund Counsel generally consent to these

adjournments. The Referee/Arbitrator usually monitors the adjournment to ensure that the appeal resumes in a reasonable period of time.

- (c) Appeals that have been concluded and the decision from the Arbitrator or Referee is pending.

Pursuant to the Court Approved Protocol for Arbitration/References and subject to the discretion of the Referees and Arbitrators, Fund Counsel endeavour to conduct the appeals in the simplest, least expensive and most expeditious procedure. When practical and reasonable to do so, evidence from witnesses is introduced in writing or by telephone to eliminate the expense of having the witness testify in person. However, in some appeals, it is preferable to have the witness testify in person and on these occasions the expense is unavoidable.

- 9. Fund Counsel anticipates that the time required to handle appeals during this fiscal year will either remain the same or decrease slightly. This will depend upon the number of appeals which raise complicated medical and other issues and which might require expert evidence.
- 10. Fund Counsel attended before the British Columbia and Ontario Courts in respect of a motion as to the location where the supervising judge may hear motions relating to the Fund.

Annual Report 2016

Prepared for:

The Joint Committee of the Hepatitis C 86-90 Trust Fund

Prepared by:

Reva Devins

Associate Chair, Ontario Roster of Arbitrators and Referees

Duties and Responsibilities of Arbitrators and Referees

1. Under the terms of the Court approved settlement, Arbitrators and Referees are responsible for determining all appeals brought by claimants seeking review of the decision of the Administrator. An appeal may proceed by Arbitration or Reference, either by an in person hearing or by review of the written material submitted by the parties. Arbitrators and Referees are to conduct their review using the simplest, least expensive and most expeditious procedure.
2. Upon conclusion of the appeal, the Arbitrator or Referee must release their decision within thirty days of completion of an oral hearing or within thirty days following receipt of final written submissions. Reasons for Decision are released in writing to the individual claimant and to Fund Counsel representing the Administrator. In all decisions, the Arbitrator or Referee must state the facts and conclusion without identifying the claimant; decisions are then posted on the Website.

Roster of Arbitrator/Referees

3. There are currently 13 active Court appointed Arbitrator/Referees: one in each of Alberta, Saskatchewan, Manitoba, Nova Scotia and Quebec (appointed December 8, 2016), two in British Columbia and 6 in Ontario, including a French speaking Arbitrator/Referee who conducts all French language appeals outside of Quebec and British Columbia.

Appeal Activity

4. The number of new appeals assigned to Arbitrators and Referees remains low.

Financial Activity to December 31, 2016

5. The fees and expenses incurred by the Arbitrators and Referees are summarized below:

	<u>British Columbia</u>	<u>Quebec</u>	<u>Ontario (includes all remaining provinces)</u>
Fees:	\$ 2,720.00	\$0.00	\$34,040.50
Disbursements:	\$ 329.99	\$0.00	\$ 5,445.52
Taxes:	\$ 71.67	\$0.00	\$ 3,666.23
TOTALS	\$ 3,121.66	\$0.00	\$ 43,152.25

In the past fiscal year, three cases were approved for payment in excess of the tariff rate, all in Ontario.

Proposed Budget

6. As in previous years, the number and complexity of appeals pursued by claimants will determine the fiscal needs of Appeal administration. Consequently, absent a reliable predictor of incoming Appeals, the proposed budget for Arbitrators and Referees should be based on expenses, fees and related expenses incurred in the preceding year. We would therefore recommend that the 2017 Budget be set at an amount equal to that actually paid in 2016.