

**HEPATITIS C
CLASS ACTION SETTLEMENT
1986-1990**

YEAR 12

**REPORT OF THE JOINT COMMITTEE
FOR THE PERIOD ENDING DECEMBER 31, 2011**

TAB**INDEX**

1. Report of the Joint Committee
- A. Audited Financial Statements of the 1986-1990 Hepatitis C Fund for year ending December 31, 2011
- B. RBC Dexia, Trustee and Custodian Hepatitis C Trust Fund – Information Brief – January 2012
- C. TD Asset Management Inc. – Annual Certificate of Compliance for year ended December 31, 2011
- D. TD Asset Management Inc. – Portfolio Review of Trust Fund Assets, dated March 12, 2012
- E. Eckler Ltd. – Report of Activities
- F. Eckler Ltd. – Hepatitis C Settlement Trust Fund Investment Summary
- G. Annual Report of the Administrator
- H. Crawford Year 12 Reconciliation
- I. Summary of Joint Committee Work During Twelfth Year of Operations (2011)
- J. Fees of Joint Committee
- K. Report of Fund Counsel
- L. Report and Fees of Referees and Arbitrators for Year ended December 31, 2011

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

YEAR 12

REPORT OF THE JOINT COMMITTEE
FOR THE PERIOD ENDING DECEMBER 31, 2011

I N D E X

EXECUTIVE SUMMARY	1
OVERVIEW	2
YEAR 12 (2011) EXPENSES	2
YEAR 13 (2012) BUDGETS	4
DELOITTE & TOUCHE LLP	6
RBC DEXIA INVESTMENT SERVICES	6
TD ASSET MANAGEMENT INC.....	7
ECKLER LTD.	7
CRAWFORD CLASS ACTION SERVICES.....	9
PRICEWATERHOUSECOOPERS LLP.....	10
NAVIGANT CONSULTING INC./COHEN HAMILTON STEGER INC.— PAULA FREDERICK.....	10
CANADIAN BLOOD SERVICES	10
HÉMA-QUÉBEC.....	11
JOINT COMMITTEE.....	11
FUND COUNSEL	12
REFEREES AND ARBITRATORS	13
THE MONITOR.....	13

January 1, 1986 – July 1, 1990

HEPATITIS C CLASS ACTION SETTLEMENT

EXECUTIVE SUMMARY

1. The 1986-1990 Hepatitis C Settlement (the “Settlement”) completed its twelfth year of operations on December 31, 2011 (“Year 12 (2011)”).

2. In Year 12 (2011), the Hepatitis C Claims Centre (the “Centre”) received 355 new claims¹ as follows:

- 3 Primarily Infected Transfused claims (on behalf of deceased persons whose Personal Representative delivered an application within three years of the date of death)
- 352 Family Member/Dependent claims²

3. In Year 12 (2011), the Centre approved for payment approximately \$37.7 million to approved claimants (prior and new).³ Since its inception, the Centre has paid out a total of approximately \$710 million⁴ in benefits in response to approximately 12,922 approved claims.

4. Financial Statements of the 1986-1990 Hepatitis C Trust Fund (the “Trust Fund”) attached at **Schedule A** indicate \$1.070 billion in assets held by the Trustee and a total unpaid liability of the provincial governments of about \$176.7 million for a total available to satisfy the

¹ This number does not include those individuals who seek to make a claim after the First Claim Deadline of June 30, 2010. During Year 12 (2011), the Administrator received 110 requests to file a first claim (76 primarily infected claims and 34 family member/dependants claims).

² 80% of these claims were claims made by family members of an HCV Infected Person who became deceased after 1999 which were submitted within 2 years from the date of death or within 1 year of the family member attaining the age of majority. The balance of these claims were claims made by family members of an HCV Infected Person who was deceased prior to 1999 who made elections under section 5.01 of the Plans.

³ This amount includes payments totalling approximately \$240,000.00 for HIV secondary claimants.

⁴ This amount includes payments to HIV secondary claimants.

claims of class members of about \$1.247 billion as at December 31, 2011. During Year 12 (2011), the invested assets held by the Trustee grew by about \$79.7 million or 8.1% (net of payments out).

5. Expenses for administration of the Settlement for Year 12 (2011) totalled approximately \$3.2 million for all service providers.

OVERVIEW

6. This is the twelfth 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”).

7. In Year 12 (2011), the Joint Committee was comprised of J.J. Camp, Q.C., Michel Savonitto, Harvey T. Strosberg, Q.C., and Bonnie Tough, who was replaced by Kathryn Podrebarac following Ms. Tough’s death. Mr. Camp was appointed by Order of the Supreme Court of British Columbia, Mr. Savonitto was appointed by the Order of the Superior Court of Quebec, Mr. Strosberg was appointed by Order of the Superior Court of Justice for Ontario, and Ms. Tough and Ms. Podrebarac were appointed by Orders of each of the Superior Court of Justice for Ontario, the Supreme Court of British Columbia and the Superior Court of Quebec.

8. Discussion of the activities of the various service providers to the Settlement is found under the appropriate headings below and/or in their reports which are attached hereto.

9. The budgeting process for Year 13 (2012) went before the Courts in January 2012/February 2012. The Annual Report continues to include a significant amount of the information contained in the budgets because it is the single comprehensive reporting document to the public. Because budgeting is based on estimates of the previous year’s expenditures and not the actual expenditures, a reconciliation of accounts is also included as part of the Annual Report.

YEAR 12 (2011) EXPENSES

10. The expenses to the Settlement for the various service providers for Year 12 (2011) are set out below.

11. The following chart summarizes the budget versus actual expenses for Year 12 (2011) for the service providers supervised by the Joint Committee exclusive of applicable taxes (not including work related to financial sufficiency review matters).

Service Provider	Budget Year 12, (2011)	Actual Year 12 (2011)	Variance from Budget	Note
Crawford Class Action Services Administration Contract	\$740,000.00	\$740,000.00	\$0.00	See paras. 39 to 42 and Tab G and H
Appeals and Third Party Expenses	As incurred	\$19,055.56	\$19,055.56	
Adjustments for Measurable Activities	As incurred	\$2,157.30	\$2,157.30	
Deloitte & Touche LLP Audit, financial statements and new financial reporting framework (exclusive of travel expenses)	\$88,404.00	\$88,404.00	\$0.00	See paras.16 to 20 and Tab A
Special Projects	\$35,000.00	\$35,600.00	\$600.00	
RBC Dexia Investment Trustee Services	\$110,000.00	\$94,425.25	(\$15,574.75)	See paras. 21 to 23 and Tab B
TD Asset Management Inc. Investment Management Services	\$185,000.00	\$189,431.38	\$4,431.38	See paras. 24 to 28 and Tab C and D
Eckler Ltd. Actuarial Services & Investment Review	\$50,000.00	\$22,780.00	(\$27,220.00)	See paras. 29 to 34 and Tab E and F
Special Projects	\$25,000.00	\$0.00	(\$25,000.00)	
Canadian Blood Services Traceback Costs	\$32,641.00	\$0.00	(\$32,641.00)	See paras. 47-48
PriceWaterhouseCoopers LLP Income Loss Software	\$13,200.00	\$12,716.00	(\$484.00)	See paras. 43-44
Cohen Hamilton Steger Inc. – Paula Frederick Income Loss Consulting	\$60,000.00	\$14,116.58	(\$45,883.42)	See paras. 45-46
Joint Committee Fees	\$500,000.00	\$445,478.50	(\$54,521.50)	See paras. 51 to 52 and Tab I and J
Disbursements	\$50,000.00	\$38,336.60	(\$11,663.40)	

12. The total expenses of these service providers combined for general work for Year 12 (2011) not including financial sufficiency review matters is \$ 1,702,501.00 (exclusive of taxes).

Service providers were generally at or under budget except for Crawford, TD Asset Management Inc. and Deloitte.

13. The following other service providers provided services in Year 12 (2011) and were paid the following (exclusive of taxes) pursuant to applicable orders or the tariff approved by the Courts.

Service Provider	Actual Year 12 (2011)	Note
Fund Counsel		See paras. 54 to 58 and Tab K
Fees	\$144,733.00	
Disbursements	\$13,631.69	
Arbitrators and Referees		See paras. 59 to 61 and Tab L
Fees	\$51,099.50	
Disbursements	\$6,162.08	
Court Monitor		See paras. 62-63
Fees	\$24,680.00	
Disbursements	\$4,500.04	

14. In Year 12 (2011), the following service providers were engaged on financial sufficiency review matters and paid the following (exclusive of taxes) pursuant to applicable Court orders:

Service Provider	Budget Year 12 (2011)	Actual Year 12 (2011)	Variance from Budget	Note
Eckler Ltd.				See para. 35
Fees	\$540,000.00	\$647,883.00	\$107,883.00	
Disbursements		\$1,692.00		
Joint Committee				See para. 53
Fees	\$300,000.00	\$306,258.50	\$6,258.50	
Disbursements		\$12,237.00		
Medical Modeling	\$90,390.00	\$12,960.00	(\$77,430.00)	See paras 36-38

YEAR 13 (2012) BUDGETS

15. The chart below compares the budgets for service providers in Year 13 (2012), to their previous budgets:

Service Provider	Budget Year 12 (2011)	Budget Year 13 (2012)	Payment Methodology
Crawford Class Action Services (subject to adjustment for appeal and third party expenses and increase or decrease of certain measurable activities by more than 10% per quarter)	\$740,000.00	\$720,000.00	\$60,000.00 monthly
Deloitte & Touche LLP Audit, financial statements and new financial reporting framework (exclusive of travel expenses)	\$88,404.00	\$98,012.00	\$8167.67 monthly
Special Projects	\$35,000.00	\$35,000.00	subject to approval by the JC
RBC Dexia Investment Services	\$110,000.00	\$110,000.00	up to \$9,166.67 monthly
TD Asset Management Inc.	\$185,000.00	\$200,000.00	up to \$16,666.67 monthly
Eckler Ltd. General actuarial services and investment review work not related to sufficiency	\$50,000.00	\$50,000.00	subject to approval by the JC
Special Projects	\$25,000.00	\$25,000.00	
Financial Sufficiency Review (2010)	\$540,000.00 ⁵	\$251,000.00	
Canadian Blood Services Traceback costs	\$32,641.00	\$32,641.00	\$2,720.09 monthly
PriceWaterhouseCoopers LLP	\$13,200.00	\$13,200.00	subject to approval by the JC
Paula Frederick / Cohen Hamilton Steger.	\$60,000.00	\$30,000.00	subject to approval by the JC
Joint Committee General services not related to sufficiency	\$500,000.00	\$500,000.00	subject to Court order
Disbursements	\$50,000.00	\$50,000.00	
Financial Sufficiency Review (2010)	\$300,000.00	\$750,000.00	
Disbursements		\$75,000.00	

⁵ For work on the 2010 Financial Sufficiency Review up to the delivery of the report filed pursuant to s.10.01(1)(i).

DELOITTE & TOUCHE LLP

16. Deloitte & Touche LLP (“Deloitte”) was appointed auditor of the Trust Fund pursuant to orders of the Courts.

17. 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.

18. The Courts approved a budget for Deloitte for the audit and financial reports for Year 12 (2011) of \$88,404.00 plus travel expenses and taxes. The total amount invoiced by Deloitte for these services of \$88,404.00 plus taxes was submitted for payment pursuant to the 2011 budget approval orders.

19. For Year 12 (2011), the Courts also approved a special projects budget for Deloitte of \$35,000.00 plus travel expenses and taxes. The total amount invoiced by Deloitte for these services was \$35,600.00 plus taxes, which was paid on approval of the Joint Committee.

20. Deloitte undertook two special projects in Year 12 (2011). One project involved an independent review of the CLASS software used in the administration of the Settlement, in particular, a review of the necessity, feasibility and/or cost of migrating the software to a commercially available database platform. The cost of that project was \$25,000.00 (exclusive of taxes). Following receipt of the report, the Joint Committee decided not to make any changes to software at this time. The second project was an independent audit of the Administrator’s activity levels in light of the Administrator’s budget overrun in 2010. The cost of that project was \$10,600.00 (exclusive of taxes). As the audit results were satisfactory, the Joint Committee recommended payment of the budget overrun to the Administrator.

RBC DEXIA INVESTMENT SERVICES

21. In Year 6 (2005), RBC Dexia Investment Services (“RBC Dexia”) 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.

22. Attached as **Schedule B** is a Report from RBC Dexia of its Custodial Trustee activities in the year ended December 31, 2011.

23. The Courts approved a budget for RBC Dexia for Year 12 (2011) of \$110,000.00 plus applicable taxes. The actual charge to the Trust Fund by RBC Dexia of \$94,425.25 plus taxes was paid pursuant to the 2011 budget approval orders.

TD ASSET MANAGEMENT INC.

24. TD Asset Management Inc. (“TDAM”) was appointed Investment Manager of the Trust Fund pursuant to the Orders of the Courts.

25. Attached as **Schedule C** is the Confirmation that TDAM has complied with the court approved Investment Guidelines.

26. The Courts approved a budget for TDAM for Year 12 (2011) of \$185,000.00 plus taxes. The actual charge by TDAM was \$189,431.38 plus taxes. The budget overrun was due to the growth of the assets under management. The Joint Committee recommends approval of these charges.

27. TDAM received payment for its fees in excess of budget in the amount of \$4,431.38. Upon learning this, the Joint Committee requested RBC Dexia to provide an explanation as to how and why this occurred and requested RBC Dexia to review its payment procedures with the Joint Committee to ensure that payments in excess of budget are not made without prior court approval. Given the amount of the overpayment at issue and the subsequent steps undertaken by the Joint Committee, the Joint Committee does not believe that further action is required at this time.

28. Attached as **Schedule D** is the Portfolio Review of the Trust Fund assets.

ECKLER LTD.

29. Eckler Ltd. was retained initially by Class Counsel and subsequently by the Joint Committee to provide actuarial advice in respect of the Trust Fund.

30. Eckler Ltd. 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 Year 6 (2005).

31. Attached as **Schedule E** is the Report of Eckler Ltd. regarding its activities during Year 12 (2011).

32. Attached as **Schedule F** is an Investment Summary provided by Eckler Ltd.

33. The Courts approved an annual budget for Eckler Ltd.'s actuarial and investment review services of \$50,000.00 plus travel expenses and taxes for Year 12 (2011) and a Special Projects budget of \$25,000.00. Eckler Ltd. incurred charges of \$22,780.00 plus taxes for Year 12 (2011) on general actuarial services and general investment review work not related to fund sufficiency review, which charges were paid on approval of the Joint Committee pursuant to the 2011 budget approval orders.

34. The special projects budget of \$25,000.00 for Eckler was not expended in Year 12 (2011).

35. The Courts approved a fund sufficiency budget for Eckler Ltd. of \$540,000.00 plus disbursements and taxes for work up to delivery of the actuarial report regarding financial sufficiency as at December 31, 2010. Eckler Ltd. provided services in Year 12 (2011) in respect of the fund sufficiency review. Those accounts total \$647,883.00 plus taxes, which is \$107,883.00 in excess of budget. Eckler Ltd. kept the Joint Committee apprised of its actual costs compared to budget as the work proceeded. The Joint Committee instructed Eckler Ltd. to proceed, notwithstanding its advice that it would exceed budget, because the Joint Committee was satisfied that the work needed to be done and there had not been any inefficiency or abuse on the part of Eckler Ltd. The main reasons for the overrun were changes in cohort size assumptions, the introduction of a minimum capital requirement, claim data analysis and assumption settings, and the adoption of medical modelling software, the costs of which were uncertain at the time of the budget for Eckler Ltd.'s fund sufficiency work was established. The Joint Committee recommended approval and payment of this cost overrun with the application for court approval of the Year 13 (2012) budgets.

MEDICAL MODELLING

36. The medical modelling working group headed by Dr. Murray Krahn provides the Joint Committee medical modelling expert advice and reports in connection with the triennial financial sufficiency reviews.

37. The medical modelling working group prepared a report entitled “Estimating the Prognosis of Canadians Infected with the Hepatitis C Virus Through the Blood Supply, 1986-1990” dated April 2011.

38. The budget approved for medical modelling for Year 12 (2011) was \$90,390.00. The actual amount expended was \$12,960.00 and was paid pursuant to the 2011 budget approval order relating to the 2010 financial sufficiency review.

CRAWFORD CLASS ACTION SERVICES

39. Crawford Class Action Services (“Crawford”) was appointed Administrator by orders of the Courts in March 2000. In Year 11 (2010), the Courts approved an extension of Crawford’s appointment and renewal of the administration contract to the end of 2012.

40. The Report of the Administrator is attached as **Schedule G**.

41. The budget 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.

42. **Schedule H** is the Payment Reconciliation for Year 12 (2011). It reflects the Crawford budget, plus the sum of \$23,970.54, comprised of the flow-through for appeal and third party expenditures of \$19,055.56 (exclusive of taxes) as well as an adjustment of \$2,157.30 (exclusive of taxes) due to increased activity levels. The adjustment was primarily due to greater than expected activity levels relating to cost of care and loss of support claims. The Joint Committee recommends approval of this adjustment.

PRICEWATERHOUSECOOPERS LLP

43. 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.

44. The total budget approved by the Courts for PriceWaterhouseCoopers LLP for Year 12 (2011) was \$13,200.00 (exclusive of taxes). The actual amount charged to the Trust Fund by PriceWaterhouseCoopers LLP was \$12,716.00 (exclusive of taxes). It was paid on approval of the Joint Committee pursuant to the 2011 budget approval orders.

COHEN HAMILTON STEGER INC.—PAULA FREDERICK

45. Cohen Hamilton Steger Inc. was retained by the Administrator to provide expert accounting services in respect of complex self-employment loss of income claims and appeals. Paula Frederick is responsible for this work.

46. The budget approved for Ms. Frederick's services in Year 12 (2011) was \$60,000.00. Ms. Frederick incurred charges of \$14,116.58 plus taxes for the assessment of two complex claims that were received by the Administrator at the end of 2010, but for which work did not begin until 2011. These fees were paid on approval of the Joint Committee pursuant to the 2011 budget approval orders.

CANADIAN BLOOD SERVICES

47. 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.

48. In the last few years, the demand for and costs of such tracebacks has reduced significantly. The budget approved for CBS for traceback services for Year 12 (2011) was \$32,641.00. The actual expenses incurred were zero. The Joint Committee will be revisiting

what resources are required for tracebacks following the Courts' decision regarding the protocols submitted by the Joint Committee for claims made after the First Claims Deadline.

HÉMA-QUÉBEC

49. Héma-Québec provides the tracebacks required under the Plans in Quebec. No budget was sought for Héma-Québec for Year 12 (2011) as it advised that due to the limited number of traceback requests it would in the first instance finance the cost and seek reimbursement at year end if the costs incurred were significantly higher than anticipated.

50. Héma-Québec has advised that no request for cost reimbursement was necessary for Year 12 (2011).

JOINT COMMITTEE

51. A Summary Report of the work of the Joint Committee in Year 12 (2011) is set out in **Schedule I**.

52. The total budget for the Joint Committee general work for Year 12 (2011) was \$500,000.00 for fees and \$50,000.00 for disbursements, exclusive of taxes. The total actual fees of the Joint Committee in Year 12 (2011) for general work were \$445,478.50 exclusive of taxes. The total disbursements of the Joint Committee in Year 12 (2011) were \$38,336.60 exclusive of taxes. A Detailed Summary by jurisdiction of the fees and disbursements incurred by the Joint Committee is set out in **Schedule J**. All accounts were submitted to the appropriate Courts for approval before being paid.

53. For Year 12 (2011), the Courts approved a fund sufficiency budget for the Joint Committee of \$300,000.00 plus disbursements and taxes. The Joint Committee incurred fees of \$295,567.65 up to the filing of the Eckler report on fund sufficiency dated July 27, 2011 and thereafter incurred additional fees relating to fund sufficiency work. The Joint Committee's actual total fees for fund sufficiency for Year 12 (2011) were \$306,258.50 and its disbursements were \$12,237.92. These accounts have been paid based upon orders received from the

appropriate Courts. The Courts have approved a fund sufficiency budget for 2012 for the Joint Committee of \$750,000.00 for fees and \$75,000.00 for disbursements, exclusive of taxes.

FUND COUNSEL

54. 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 and William Ferguson was appointed Fund Counsel in the B.C. Class Actions by Order of the Supreme Court of British Columbia.

55. Attached as **Schedule K** is the Report of Fund Counsel on their activities and their fees incurred in Year 12 (2011).

56. In Year 12 (2011), the following appeals were dealt with in each jurisdiction:

Year 12 (2011)	ON ⁶	BC	QUE	Total
Appeals received	15	2	0	17
Appeals completed	9	1	1	11
Appeals withdrawn	2	0	0	2
Denials rescinded	1	0	0	1
Appeals mediated	0	0	0	0
Requests for Judicial confirmation	1	0	1	2
Judicial decisions	0	0	1	1
Appeals pending (including appeals sent back to Referees)	38	4	0	42

57. Fund Counsel estimates that the volume of appeal work in Year 13 (2012) will either remain the same or decrease slightly depending on the number of appeals raising complex issues requiring expert evidence.

58. In Year 12 (2011), the total Fund Counsel fees were \$118,454.00 and disbursements were \$6,370.81 exclusive of taxes. All accounts for Fund Counsel were submitted to the appropriate Court for approval before payment.

⁶ Ontario covers all provinces and territories other than Quebec and British Columbia.

REFEREES AND ARBITRATORS

59. Referees and Arbitrators were appointed for each jurisdiction by court orders.
60. A Summary Report of the work of the Referees and Arbitrators as well as the fees incurred for Year 12 (2011) is set out in **Schedule L**.
61. In Year 12 (2011), the total fees for the Arbitrators and Referees were \$51,099.50 and the total disbursements were \$6,162.08 exclusive of taxes. Accounts for the Arbitrators and Referees are paid based upon the tariff set by the Courts. In 2011, the courts in Ontario and British-Columbia approved an increase in the tariff. An application for tariff increase will also be submitted for approval by the court of Quebec with the application for the replacement of the referee appointed by the court in that province who is retiring this year.

THE MONITOR

62. The Monitor was appointed by order of the Ontario Superior Court of Justice.
63. In Year 12 (2011), the total fees of the Monitor were \$24,680.00 exclusive of taxes and total disbursements were \$4,500.04 exclusive of taxes. Accounts for the Monitor are paid based on court order.

Dated:

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

Dated:

Michel Savonitto
Savonitto & Ass. Inc.

Dated:

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

Dated:

Kathryn Podrebarac
Tough & Podrebarac LLP

*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, 2011
31 décembre 2011



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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, 2011 and the statements of expenses and revenue 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 generally accepted accounting principles, 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 audit. We conducted our audit 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.

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 le bilan au 31 décembre 2011 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 principes comptables généralement reconnus du Canada, 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 notre audit. Nous avons effectué notre audit 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.

Independent Auditor's Report (continued)

Auditor's Responsibility (continued)

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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Rapport de l'auditeur indépendant (suite)

Responsabilité de l'auditeur (suite)

Un audit implique la mise en oeuvre 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 sont suffisants et appropriés pour fonder notre opinion d'audit.

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 2011 ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice clos à cette date conformément aux principes comptables généralement reconnus du Canada.

Deloitte & Touche LLP / s.r.l.

Chartered Accountants
Licensed Public Accountants

March 12, 2012

Comptables agréés
Experts-comptables autorisés

Le 12 mars 2012

THE 1986 - 1990 HEPATITIS C FUND
Financial Statements
December 31, 2011

FONDS HÉPATITE C 1986 - 1990
États financiers
31 décembre 2011

PAGE

Statement of Financial Position	1	Bilan
Statement of Expenses and Revenue	2	État des résultats
Statement of Cash Flows	3	État des flux de trésorerie
Notes to the Financial Statements	4 - 11	Notes complémentaires

THE 1986 - 1990 HEPATITIS C FUND
Statement of Financial Position
as at December 31, 2011
(in thousands of dollars)

FONDS HÉPATITE C 1986 - 1990
Bilan
au 31 décembre 2011
(en milliers de dollars)

	2011	2010	
ASSETS			ACTIF
Cash	\$ 51	\$ 62	Encaisse
Investments (note 3)	1,068,972	989,292	Placements (note 3)
Contributions receivable	1,739	1,624	Apports à recevoir
	\$ 1,070,762	\$ 990,978	
LIABILITIES			PASSIF
Accounts payable and accrued liabilities	\$ 778	\$ 1,007	Créditeurs et charges à payer
Accrued claims in process of payment	5,130	5,181	Demandes accumulées en cours de paiement
Funding held for future expenses (note 4)	1,064,854	984,790	Financement pour charges futures (note 4)
	\$ 1,070,762	\$ 990,978	

APPROVED BY THE JOINT COMMITTEE OF
THE 1986 - 1990 HEPATITIS C FUND

AU NOM DU COMITÉ MIXTE DU FONDS
HÉPATITE C 1986 - 1990

K. Podutara
H. F. Strohberg per H.B.
[Signature]
[Signature]

THE 1986 - 1990 HEPATITIS C FUND
Statement of Expenses and Revenue
year ended December 31, 2011
(in thousands of dollars)

FONDS HÉPATITE C 1986 - 1990
État des résultats
de l'exercice clos le 31 décembre 2011
(en milliers de dollars)

	2011	2010	
EXPENSES			DÉPENSES
Claims (note 5)	\$ 37,644	\$ 38,197	Demandes (note 5)
Operating (note 6)	3,182	3,046	Frais d'exploitation (note 6)
	40,826	41,243	
REVENUE	40,826	41,243	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, 2011
(in thousands of dollars)

FONDS HÉPATITE C 1986 - 1990
État des flux de trésorerie
de l'exercice clos le 31 décembre 2011
(en milliers de dollars)

	<u>2011</u>	<u>2010</u>	
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			RENTRÉES (SORTIES) NETTES D'ENCAISSE LIÉES AUX ACTIVITÉS SUIVANTES :
OPERATING			EXPLOITATION
Excess of revenue over expenses	\$ -	\$ -	Excédent des revenus sur les dépenses
Items not affecting cash			Éléments sans incidence sur l'encaisse
Realized gains on investments	(21,188)	(316)	Gains réalisés sur placements
Change in unrealized gains on investments	(57,575)	(51,664)	Variation des gains non-réalisés sur placements
	(78,763)	(51,980)	
Changes in non-cash operating working capital items			Variation nette des éléments hors caisse du fonds de roulement d'exploitation
Contributions receivable	(115)	(348)	Apports à recevoir
Accounts payable and accrued liabilities	(229)	222	Créditeurs et charges à payer
Accrued claims in process of payment	(51)	1,198	Demandes accumulées en cours de paiement
Funding held for future expenses	80,064	49,873	Financement pour charges futures
	906	(1,035)	
INVESTING			INVESTISSEMENT
Purchase of investments	(168,359)	(119,218)	Acquisition de placements
Proceeds on sale of investments	167,442	120,242	Produits de la vente de placements
	(917)	1,024	
NET CASH OUTFLOW	(11)	(11)	DIMINUTION NETTE DE L'ENCAISSE
CASH, BEGINNING OF YEAR	62	73	ENCAISSE AU DÉBUT
CASH, END OF YEAR	\$ 51	\$ 62	ENCAISSE À LA FIN

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

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. 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, 2011 those obligations including interest are estimated to be \$176,687,000 (December 31, 2010 - \$185,973,000).

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

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook - Part - V *Pre-Changeover Accounting Standards* (Canadian GAAP) and include the following significant accounting policies:

Financial instruments

All financial assets are required to be classified as held-for-trading, held-to-maturity, loans and receivables or as available-for-sale. All financial liabilities are required to be classified as held-for-trading or as other liabilities.

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

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. 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 2011, ces obligations, intérêts compris, sont estimées à 176 687 000 \$ (31 décembre 2010 - 185 973 000 \$).

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 CONVENTIONS COMPTABLES

Les présents états financiers ont été dressés conformément au Manuel de l'Institut Canadien des Comptables Agréés (ICCA), chapitre V - *Normes comptables en vigueur avant le basculement* (PCGR du Canada) et tiennent compte des principales conventions comptables suivantes :

Instruments financiers

Tous les actifs financiers doivent être classés soit comme détenus à des fins de transaction, détenus jusqu'à leur échéance, prêts et créances ou disponibles à la vente. Tous les passifs financiers doivent être classés soit comme détenus à des fins de transaction ou autres passifs.

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of said instruments at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred.

Classifications made by the Fund:

Cash	Held-for-trading
Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment earnings.

Loans and receivables

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

Fair value

The Fund's financial instruments consist of cash, investments, receivables and accounts payable and accrued liabilities. The fair value of cash, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these items. The fair value of investments is as disclosed in Note 3.

Investment earnings

Realized and unrealized gains (losses) together with interest and dividend revenue constitute the investment earnings of the Fund, and are deferred, pending their allocation to pay expenses.

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

2. PRINCIPALES CONVENTIONS COMPTABLES (suite)

Instruments financiers (suite)

Le classement des instruments financiers dépend de l'objet visé lorsque les instruments financiers ont été acquis ou émis, de leurs caractéristiques et de leur désignation par le Fonds au moment de leur comptabilisation initiale. La comptabilisation à la date de règlement est utilisée et les coûts de transactions relatifs aux placements sont passés en charge lorsqu'ils sont encourus.

Classements effectués par le Fonds :

Encaisse	Détenus à des fins de transaction
Placements	Détenus à des fins de transaction
Débiteurs	Prêts et créances
Créditeurs et charges à payer	Autres passifs

Détenus à des fins de transaction

Ces actifs financiers sont comptabilisés à la juste valeur à la date du bilan. Les fluctuations de la juste valeur qui incluent les intérêts gagnés, les intérêts courus, les gains et les pertes réalisés sur cession et les gains et pertes non réalisés sont inclus dans les revenus de placements.

Prêts et créances

Les actifs financiers sont comptabilisés au coût amorti selon la méthode du taux d'intérêt effectif, moins toute dévaluation.

Autres passifs

Les passifs financiers sont comptabilisés au coût amorti selon la méthode du taux d'intérêt effectif.

Juste valeur

Les instruments financiers du Fonds sont composés de l'encaisse, de placements, de débiteurs et de créditeurs et charges à payer. La juste valeur de l'encaisse, des débiteurs et des créditeurs et charges à payer se rapproche de leur valeur comptable compte tenu du caractère à court terme de ces éléments. La juste valeur des placements est divulguée à la note 3.

Revenus de placements

Les gains et les pertes réalisés et non réalisés ainsi que les intérêts et les revenus de dividendes forment le revenu de placement du Fonds et sont reportés, jusqu'à ce qu'ils soient affectés au paiement des charges.

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- a) Funding contributed in payment of the Government of Canada obligation;
- b) Contributions prepaid by provinces and territories, if any; and
- c) 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.

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.

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

2. PRINCIPALES CONVENTIONS COMPTABLES (suite)

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.

Constatation 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 découlant sont reportés et constatés à titre de financement pour charges futures. Par conséquent, le financement pour charges futures comprend ce qui suit :

- a) Apport sous forme de paiement de l'obligation du gouvernement du Canada;
- b) Apports versés à l'avance par les gouvernements provinciaux et territoriaux, le cas échéant;
- c) 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 comptabilisées dans les revenus.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 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.

Future accounting changes

In 2010, the CICA issued a new accounting framework applicable to Canadian Not-For-Profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either the CICA Handbook Part I - *International Financial Reporting Standards* or Part III - *Accounting Standards for Not-for-Profit Organizations*. The Fund currently plans to adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective January 1, 2012. The new standards are not expected to have a significant impact on the Fund's financial statements.

2. PRINCIPALES CONVENTIONS COMPTABLES (suite)

Utilisation d'estimations

Dans le cadre de la préparation des états financiers, conformément aux PCGR du Canada, 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 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.

Modifications comptables

En 2010, l'ICCA a publié un nouveau référentiel comptable applicable aux organismes sans but lucratif. Ainsi, pour les exercices ouverts à compter du 1^{er} janvier 2012, les organismes sans but lucratif pourront choisir d'adopter soit le Manuel de l'ICCA, chapitre I - *Normes internationales d'information financière* ou le chapitre III - *Normes comptables pour les organismes sans but lucratif*. À l'heure actuelle, le Fonds prévoit utiliser le chapitre III - *Normes comptables pour les organismes sans but lucratif* à compter du 1^{er} janvier 2012. Les nouvelles normes ne devraient pas avoir d'incidence significative sur les états financiers du Fonds.

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

3. INVESTMENTS

Investments are summarized as follows:

	2011		2010		
	(in thousands of dollars)		(en milliers de dollars)		
	Fair Value	Cost	Fair Value	Cost	
	<u>Juste valeur</u>	<u>Coût</u>	<u>Juste valeur</u>	<u>Coût</u>	
Cash	\$ 278	\$ 278	\$ 197	\$ 197	Encaisse
Investment earnings receivable	2,289	2,289	2,334	2,334	Revenus de placement à recevoir
Fixed income	950,952	553,030	898,483	571,114	Titres à revenu fixe
Equities	115,453	154,647	88,278	114,494	Actions
	\$ 1,068,972	\$ 710,244	\$ 989,292	\$ 688,139	

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, 2011, the average duration of the bonds and debentures in the portfolio, weighted on fair value, was 10.9 years (December 31, 2010 - 11.8 years).

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

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.

3. PLACEMENTS

Les placements se résument ainsi :

	2011		2010		
	(in thousands of dollars)		(en milliers de dollars)		
	Fair Value	Cost	Fair Value	Cost	
	<u>Juste valeur</u>	<u>Coût</u>	<u>Juste valeur</u>	<u>Coût</u>	
Cash	\$ 197	\$ 197	\$ 197	\$ 197	Encaisse
Investment earnings receivable	2,334	2,334	2,334	2,334	Revenus de placement à recevoir
Fixed income	898,483	571,114	898,483	571,114	Titres à revenu fixe
Equities	88,278	114,494	88,278	114,494	Actions
	\$ 989,292	\$ 688,139	\$ 989,292	\$ 688,139	

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 2011, la durée moyenne des obligations et des débetures du portefeuille, pondérée selon la juste valeur, était de 10,9 ans (31 décembre 2010 - 11,8 ans).

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

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.

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

3. INVESTMENTS (continued)

Investment risk (continued)

a) 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:

	<u>2011</u>	<u>2010</u>
	% of Fair Value	% of Fair Value
	% de la juste valeur	% de la juste valeur
Investment earnings receivable	<u>1</u>	<u>1</u>
Fixed income		
Government of Canada	80	83
Corporate	2	2
Provinces of Canada	1	1
Fixed income pooled fund units	<u>5</u>	<u>4</u>
	<u>88</u>	<u>90</u>
Equities		
Canadian		
Pooled fund units	5	5
Foreign		
U.S. pooled fund units	3	2
International pooled fund units	<u>3</u>	<u>2</u>
	<u>11</u>	<u>9</u>
	<u>100</u>	<u>100</u>

b) Foreign currency risk

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

	<u>2011</u>	<u>2010</u>
	(in thousands of dollars)	(in thousands of dollars)
	(en milliers de dollars)	
Equities		
U.S. pooled fund units	\$ 30,907	\$ 17,972
International pooled fund units	<u>30,158</u>	<u>19,945</u>
	<u>\$ 61,065</u>	<u>\$ 37,917</u>

3. PLACEMENTS (suite)

Risque de placement (suite)

a) 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 :

Revenus de placement à recevoir
Titres à revenu fixe
Gouvernement du Canada
Sociétés
Provinces du Canada
Parts de fonds communs à revenu fixe
Actions
Canadiennes
Parts de fonds communs
Étrangères
Parts de fonds communs américains
Parts de fonds communs internationaux

b) 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 :

Actions
Parts de fonds communs américains
Parts de fonds communs internationaux

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

4. FUNDING HELD FOR FUTURE EXPENSES

4. FINANCEMENT POUR CHARGES FUTURES

	<u>2011</u>	<u>2010</u>	
	(in thousands of dollars)	(en milliers de dollars)	
Balance, beginning of year	\$ 984,790	\$ 934,917	Solde au début
Changes during the year			Variation au cours de l'exercice
Investment earnings	110,041	81,093	Revenus de placement
Amounts recognized as revenue	(29,977)	(31,245)	Montants constatés comme revenu
Additional funding received	-	25	Financement additionnel reçu
Balance, end of year	<u>\$ 1,064,854</u>	<u>\$ 984,790</u>	Solde à la fin
Comprised of:			Composé de :
Funding contributed by the Government of Canada	\$ 1,064,847	\$ 984,508	Financement contribué par le gouvernement du Canada
Contributions prepaid by provincial governments	7	282	Apports versés à l'avance par des gouvernements provinciaux
	<u>\$ 1,064,854</u>	<u>\$ 984,790</u>	

5. CLAIMS

5. DEMANDES

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

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

	<u>2011</u>	<u>2010</u>	
	(in thousands of dollars)	(en milliers de dollars)	
Approved by the Administrator of the Fund			Demandes approuvées par l'Administrateur du Fonds
Disbursed	\$ 37,695	\$ 36,999	Décaissements
Net change in accrued claims in process of payment	(51)	1,198	Variation nette des demandes accumulées en cours de paiement
	<u>\$ 37,644</u>	<u>\$ 38,197</u>	

The claims include payments totalling \$240,000 (December 31, 2010 - \$NIL) for HIV secondary claimants.

Les demandes incluent des paiements au total de 240 000 \$ (31 décembre 2010 - nul \$) pour les requérants infectés indirectement par le VIH.

THE 1986 - 1990 HEPATITIS C FUND
Notes to the Financial Statements
year ended December 31, 2011

FONDS HÉPATITE C 1986 - 1990
Notes complémentaires
de l'exercice clos le 31 décembre 2011

6. OPERATING EXPENSES

6. FRAIS D'EXPLOITATION

	<u>2011</u>	<u>2010</u>	
	(in thousands of dollars)		
	(en milliers de dollars)		
Administrator	\$ 860	\$ 1,289	Administrateur
Legal (claims' appeal costs, Fund counsel)	304	146	Frais juridiques (frais des demandes en appel, avocats du Fonds)
Joint committee - Administration	601	610	Comité mixte - Administration
Joint committee - Sufficiency Review	347	81	Comité mixte - Révision
Investment management	209	187	Gestion des placements
Audit and related services	100	115	Honoraires d'audit et de services connexes
Custodial trustee	103	103	Frais de garde
Actuarial	26	42	Honoraires d'actuariat
Actuarial - Sufficiency Review	573	171	Honoraires d'actuariat - Révision
			Honoraires d'actuariat - Ligne directrice en matière de placement
Actuarial - Investment guidelines	-	17	Frais de recherche
Traceback fees	6	58	Frais médicaux et autres frais de consultation
Medical and other consulting	53	227	
	<u>\$ 3,182</u>	<u>\$ 3,046</u>	

7. CAPITAL MANAGEMENT

The Fund's objectives when managing capital are to hold, invest and administer funds as described in Note 1.

7. GESTION DU CAPITAL

Les objectifs du Fonds quant à la gestion de son capital sont de conserver, d'investir et de gérer des fonds tel que décrit à la note 1.



RBC DEXIA
INVESTOR SERVICES

RBC Dexia Investor Services Trust Information Brief

Trustee and Custodian
Hepatitis C Trust Fund

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

Prepared by:
Patricia Budrow
Client Manager
RBC Dexia Investor Services

March 2012

This information is provided for the general information of RBC Dexia Investor Services clients from sources reasonably believed to be reliable. However, RBC Dexia Investor Services accepts no responsibility or liability of any kind for the accuracy, reliability or completeness of the information, or for any action taken, or results obtained, from the use of the information. RBC Dexia Investor Services Limited is a holding company that provides strategic direction and management oversight to its affiliates. All are licensed users of the RBC trademark (a registered trademark of Royal Bank of Canada) and Dexia trademark and conduct their global custody and investment administration business under the RBC Dexia Investor Services brand name.

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,500 professionals in 15 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management practices.

Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.7 trillion in client assets under administration as at December 31, 2011.

Our complete range of investor services is supported by:

- a worldwide network of offices in 15 countries on four continents
- award-winning European transfer agency capabilities
- fund administration services in 13 global markets
- strong credit ratings: Aa3 (Moody's), AA- (S&P)
- more than 100 years of experience in institutional financial services
- products and technology that meet our clients' evolving needs
- top ratings for client service in industry client satisfaction surveys

Our innovative solutions include global custody, fund and pension administration, shareholder services, distribution support, securities lending and borrowing, reconciliation services, compliance monitoring and reporting, investment analytics and treasury services.

RBC Dexia Investor Services Trust (RBC Dexia) was appointed Trustee and Custodian of the Hepatitis 'C' Trust Fund by the Superior Courts of B.C., Ontario and Quebec. A service team comprising administration and operations managers is responsible for the day-to-day activities of the Trust Fund. This team is complemented by professionals with regulatory expertise, providing the Hepatitis 'C' Trust Fund with a wide range of specialized services.

Duties and responsibilities of the trustee/custodian

Custody and safeguarding of securities

RBC Dexia holds in trust the cash and securities of the Trust Fund. The assets of the Trust Fund are invested and reinvested by RBC Dexia strictly in accordance with the directions of the Joint Committee or the investment manager appointed by the Courts. RBC Dexia 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 Dexia completes all securities transactions (e.g., acquisitions and dispositions of assets) as per authorized instructions received from the investment manager.

Collection of income

RBC Dexia 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 Dexia actually receives the funds. RBC Dexia tracks stock dividends and splits, bond maturities and redemptions. For cash balances held in the fund, interest is automatically credited. The interest is calculated daily and paid to accounts on the last business day of the month.

Contributions

RBC Dexia receives all contributions flowing into the Trust Fund. RBC Dexia 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 applicable Court Order.

Maintenance of records

RBC Dexia 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. These reports also provide a list of assets held at a certain date with book and market value, accrued income. Day-to-day activity is reported in chronological order.

- **Quarterly notional reports:** RBC Dexia 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 reflects 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 2011, the twelfth year of operation of the Hepatitis 'C' Trust Fund, the Trust Fund received contributions totaling CAD 10,732,515.06 representing payments from Provincial and Territorial Governments.

In addition, the Hepatitis 'C' Trust Fund has earned CAD 52,460,415.89 (includes investment income, realized and unrealized capital gains and losses). The closing market value of the fund at December 31, 2011 was CAD 1,069,734,746.38.

Payments from the Trust Fund

Disbursements from the Trust Fund in 2011 totaled CAD 41,088,162.42 representing CAD 37,677,625.22 to the Administrator for the claimants and CAD 3,410,537.20 to service providers for fees and expenses (including RBC Dexia's trustee and custodial fees).

For the period January 1, 2011 to December 31, 2011 the Courts approved a budget of CAD 110,000 for RBC Dexia's trustee and custodial fees. The actual charge to the Trust Fund in 2011 for performing various activities and services was CAD 106,488.39 representing fees for 2010 of CAD 20,591.40 and fees for 2011 of CAD 85,896.99.

The total fees of \$106,488.39 represent: Custody of assets under administration of CAD 52,474.76, Transaction Fees of CAD 7,362.72, Plan/Reporting Accounting Charges of CAD 30,900, Special Reports of CAD 3,500.04 and Taxes (GST/HST) of CAD 12,250.87.



1986-1990 Hepatitis C Settlement Trust Fund

Annual Certificate of Compliance

For the year ending: December 31, 2011

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: February 23, 2012

Should you have any questions regarding the document, please contact your Relationship Manager.

TDAM Institutional Client Services
1-888-834-6339
inst.info@tdam.com

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1986 - 1990 Hepatitis C Settlement Trust Fund Portfolio Review

March 12, 2012



- TD Asset Management Inc. (TDAM) Update
- Portfolio Review
 - Segregated Fixed Income Mandates
 - Indexed Pooled Fund Mandates

Appendix:

- Attribution on indexed Pooled Funds to December 31, 2011

TD Asset Management Update – 2011 Year in Review



■ Industry recognition

- TDAM retains #1 spot in Benefits Canada 2011 ranking of pension investment managers by AUM*
- For the second consecutive year, TDAM was named Morningstar® *Fixed Income Fund Manager of the Year* (2011) at the Canadian Investment Awards

■ 2011 successes include:

- 69 new mandates awarded
 - \$371 million in new Active Fixed Income assets
 - \$525 million in new Passive Fixed income mandates
 - \$148 million in new Bond Overlay mandates

■ TDAM strategies mark milestones

- TD *Emerald* Low Volatility Canadian Equity PFT and TD *Emerald* Low Volatility Global Equity PFT both celebrated two years of strong risk adjusted returns
- Over C\$1.4 billion invested in Low Volatility Equity strategies as of December 31, 2011

■ Commitment to client education

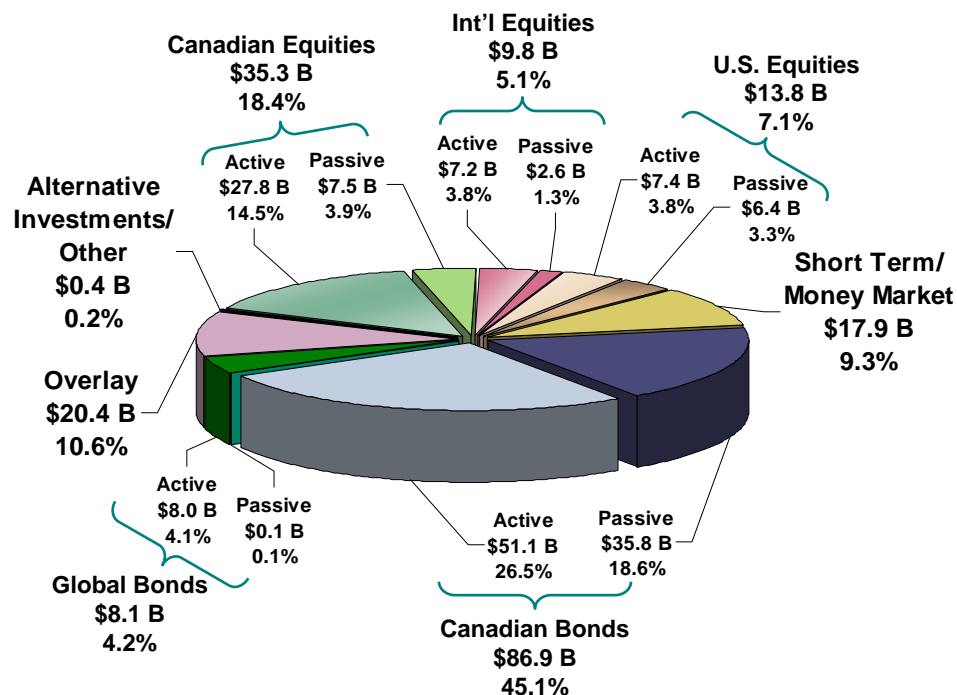
- Record attendance in many cities for TDAM's 8th Annual Sharing of Knowledge Learning Series in April. TDAM examined how to balance de-risking and re-risking initiatives in institutional portfolios

■ Continuing to build on TDAM's broad toolkit

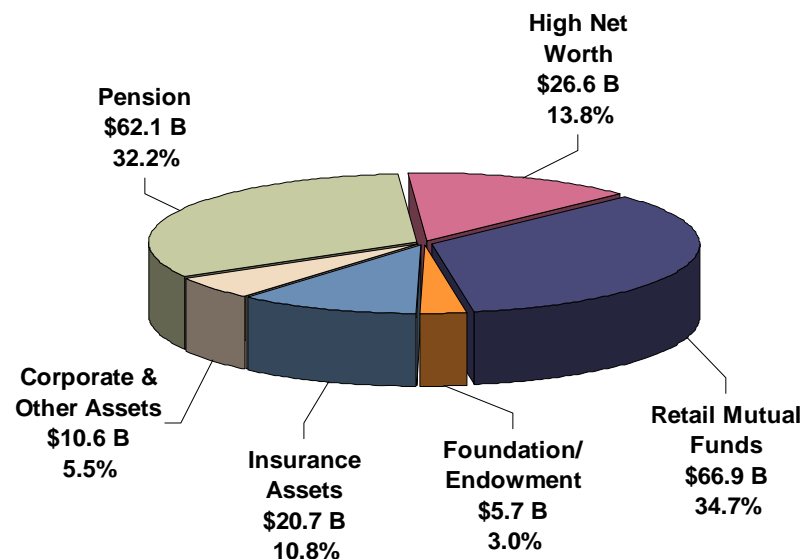
- Four institutional funds launched in 2011
 - TD *Emerald* Active Long Canadian Bond PFT
 - TD *Emerald* Low Volatility All World Equity PFT
 - TD *Emerald* Provincial Long Bond PFT
 - TD *Emerald* Real Return Bond Overlay PFT

* "The Top 40 Money Managers (as at June 30, 2011)", Benefits Canada, November 2011. ® Morningstar is a registered mark of Morningstar Research Inc. All Rights Reserved
PFT = Pooled Fund Trust

By Asset Type

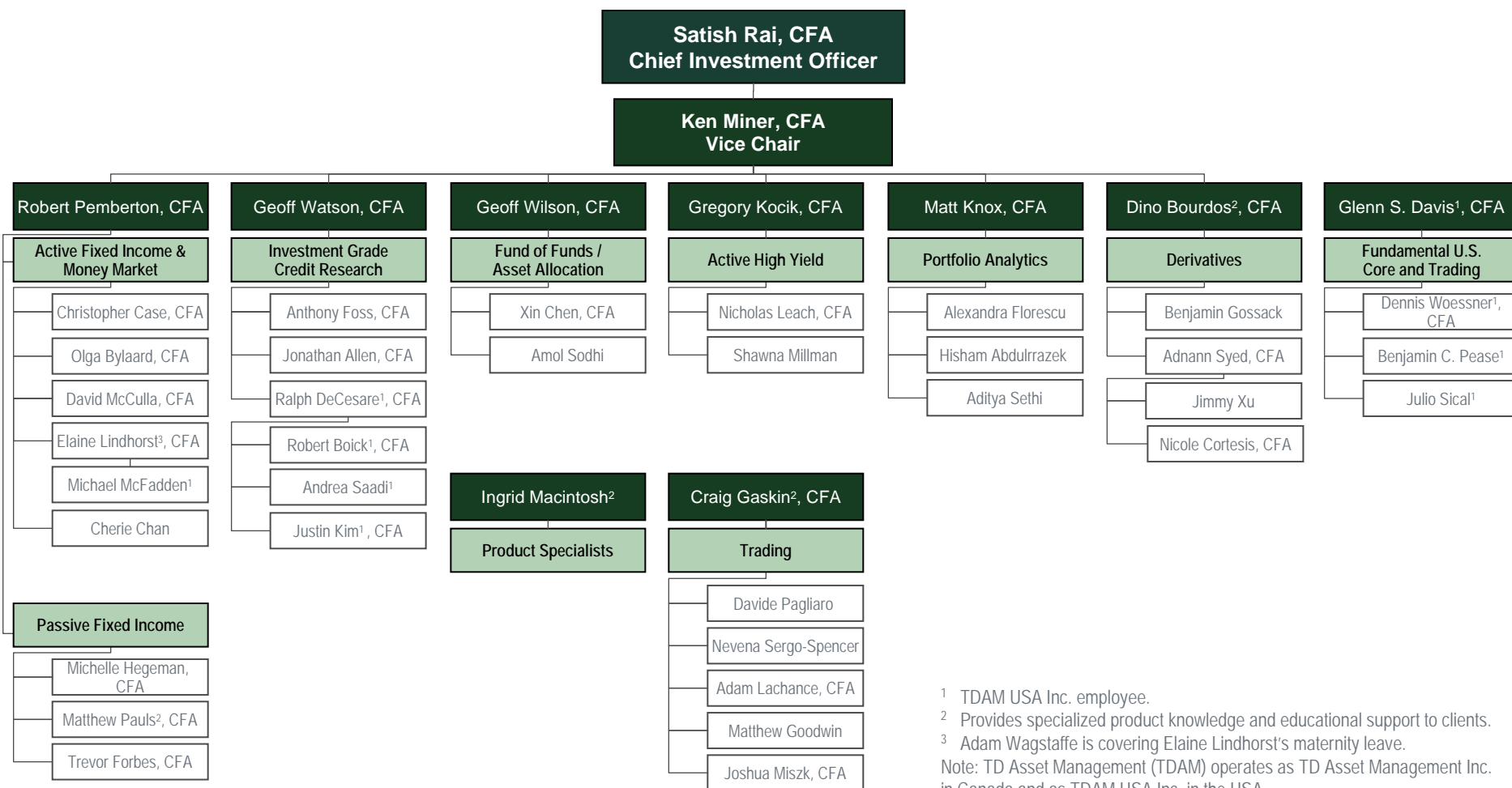


By Client Type



Note: Active AUM include both active fundamental and active enhanced assets. Numbers may not add due to rounding. Assets under management for TD Asset Management Inc. and TDAM USA Inc. Overlay assets under management do not include \$4.5 B of currency hedging programs in place within TDAM pooled funds accounted for in other asset classes. TD Asset Management operates in Canada as TD Asset Management Inc. and in the United States as TDAM USA Inc.

Total Assets Under Management: \$192.6 Billion



¹ TDAM USA Inc. employee.

² Provides specialized product knowledge and educational support to clients.

³ Adam Wagstaffe is covering Elaine Lindhorst's maternity leave.

Note: TD Asset Management (TDAM) operates as TD Asset Management Inc. in Canada and as TDAM USA Inc. in the USA.

Depth, continuity, and growth

Investment Mandates



Mandates	Benchmark Index	Tracking Error Target %/year over one year	Tracking Error Target %/year over four years
Segregated Real Return Bonds (buy-and-hold)	N/A	N/A	N/A
Segregated Short-Term Bonds	DEX Short Term Bond Index	± 0.20	± 0.10
Universe Bonds (no BBB-rated corporates)	DEX Universe Bond Index	± 0.20	± 0.10
Canadian Equities* (no income trusts)	S&P/TSX Equity Total Return Index	± 0.30	± 0.15
U.S. Equities	S&P 500 Total Return Index ND (C\$)	± 0.30	± 0.15
International Equities	MSCI EAFE Total Return Index ND (C\$)	± 0.60	± 0.30

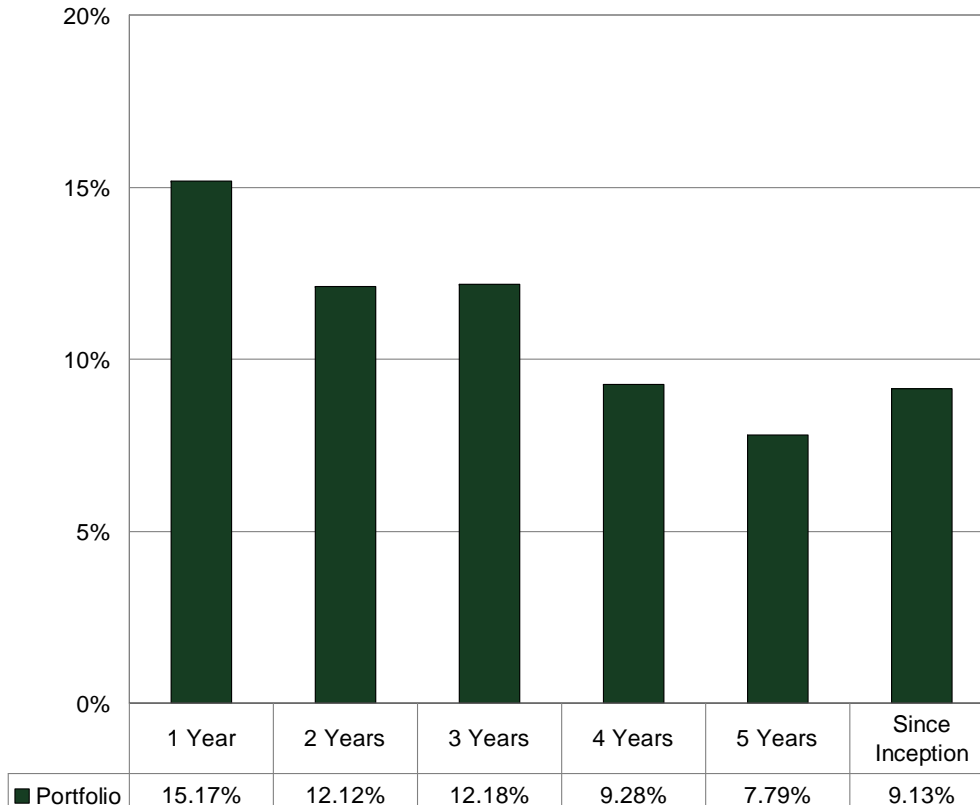
* Canadian equity exposure migrated from the TD *Emerald* Canadian Equity Index Fund to the TD *Emerald* Canadian Market Capped PFT in July 2003, and then to the TD *Emerald* Canadian Market Pooled Fund Trust II excluding income trusts in November 2005.

Tracking error target is per Investment Guidelines for the 1986-1990 Hepatitis C Settlement Trust Fund (Revised 2010)

Tracking within expected tolerances

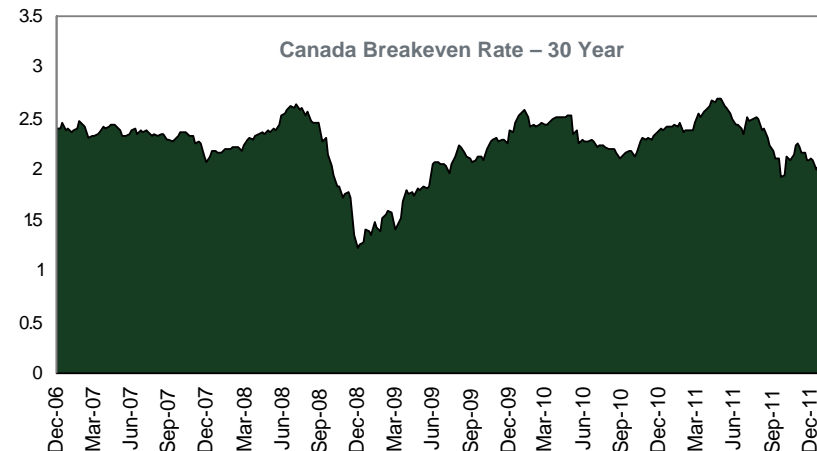
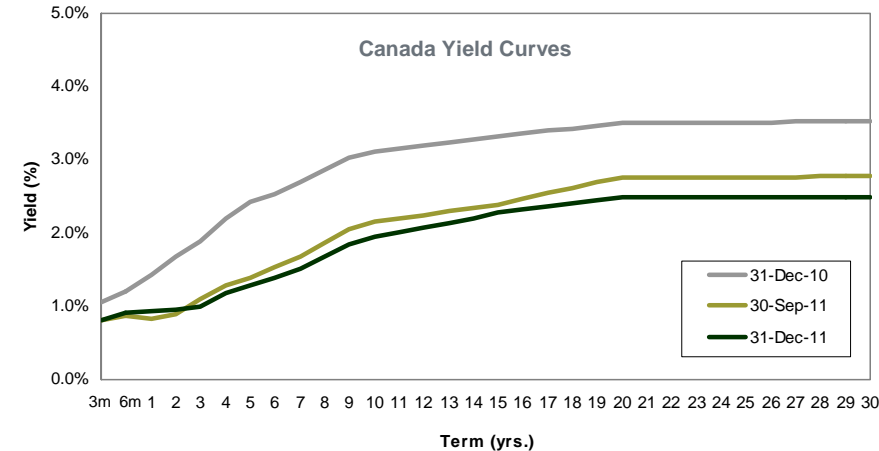
1986-1990 Hepatitis C Settlement Trust Fund

Segregated Real Return Bonds – Performance as at December 31, 2011



Inception Date: February 29, 2000

Assets as at December 31, 2011:
\$813,230,286

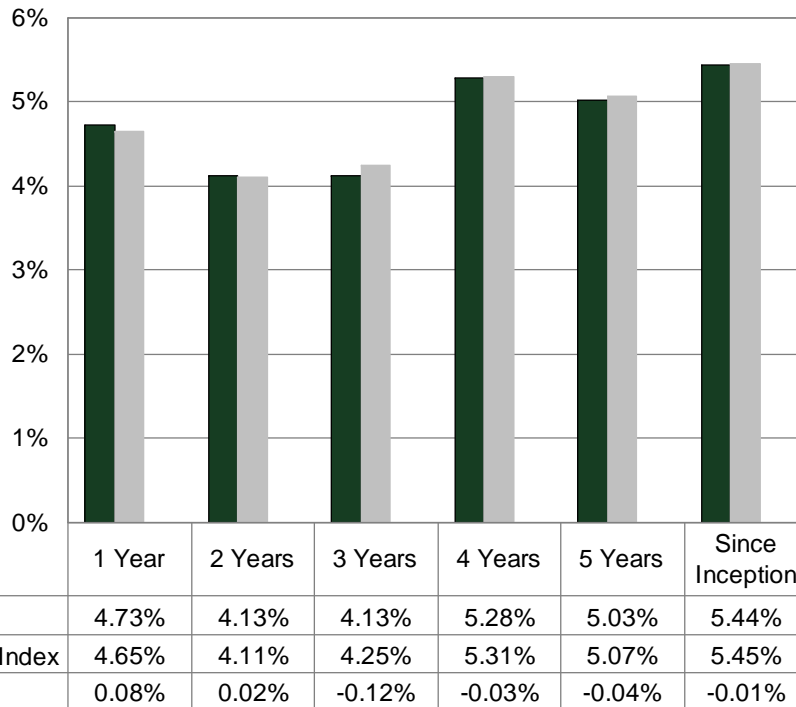


Sources: TDAM, Bloomberg Finance L.P.
 Data to: December 31, 2011

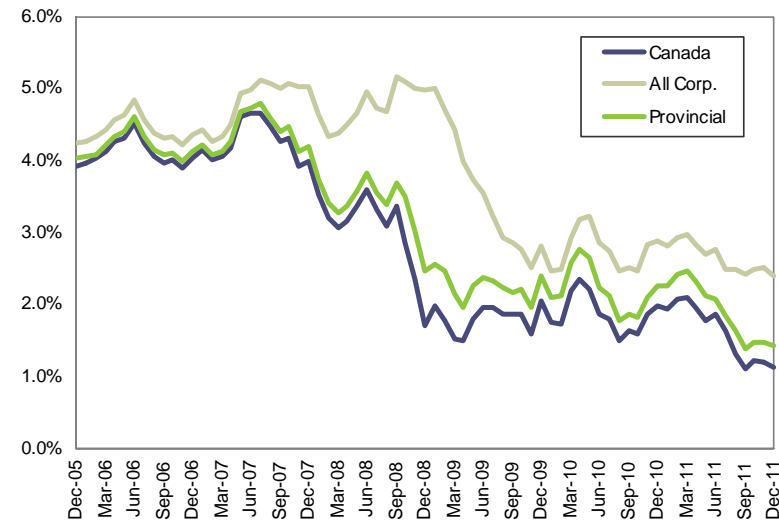
Nominal bond performance driving strong RRB returns

1986-1990 Hepatitis C Settlement Trust Fund

Segregated Short Term Bonds – Performance as at December 31, 2011



Canadian Yield Profiles
DEX Short-Term Index Components



Source: PC-Bond Analytics
Data to December 31, 2011

Inception Date: February 29, 2000
Returns: Post-Expense; numbers may not add due to rounding
Benchmark Source: PC-Bond Analytics

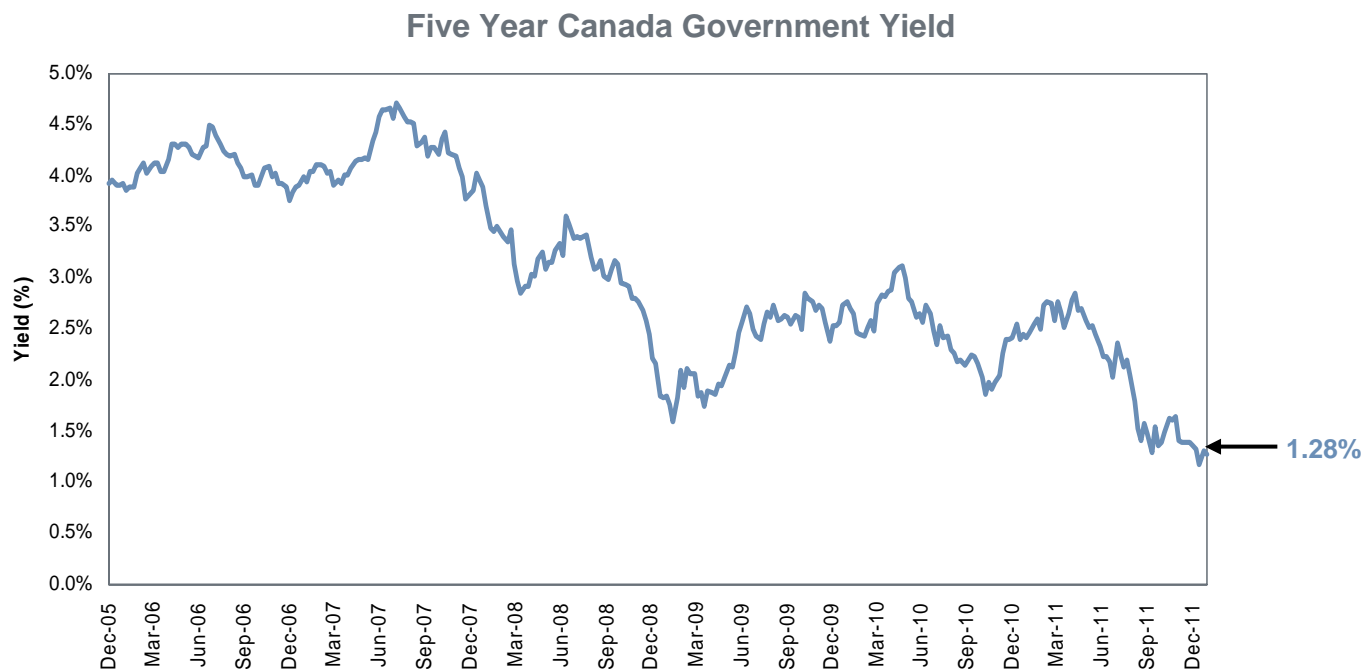
Assets as at December 31, 2011:
\$82,499,316

Yields declined in all sectors over the past year

Current Observations in the Fixed Income Market



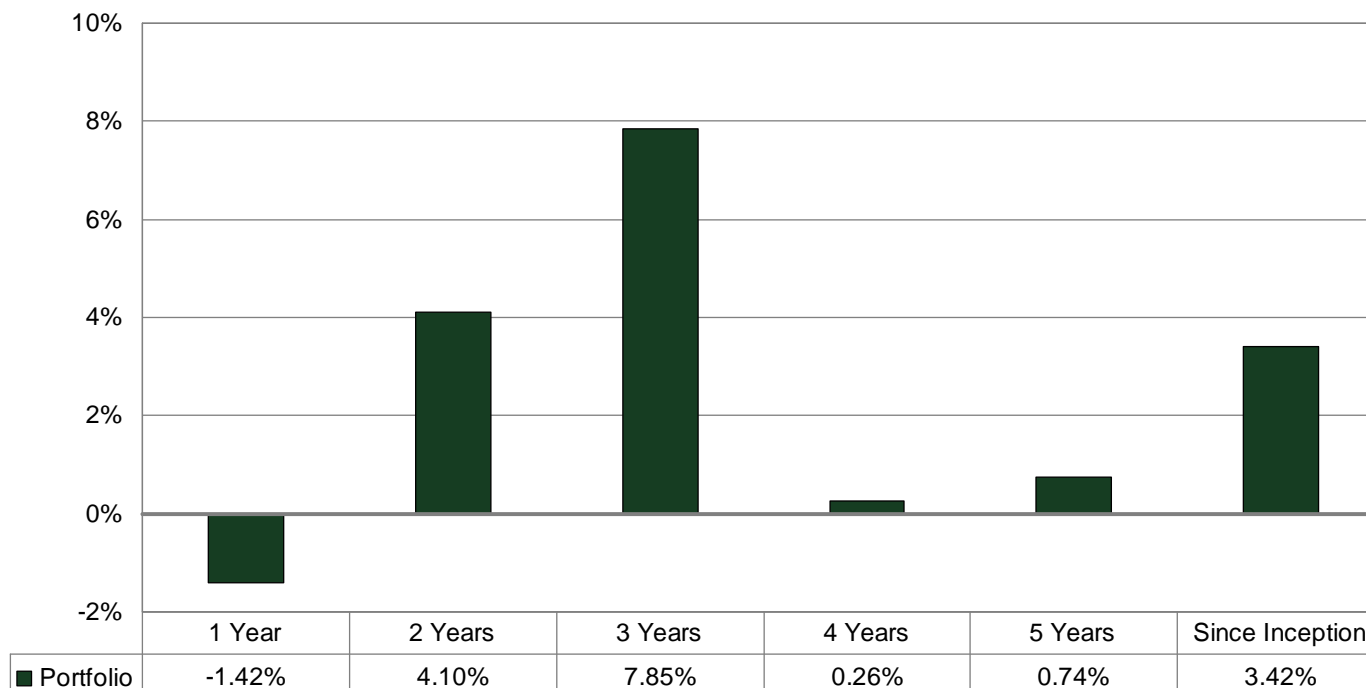
- Historically low yields
- Liquidity exists but constrained
- Elevated volatility



Sources: TDAM, Bloomberg Finance L.P.
Data to December 30, 2011

1986-1990 Hepatitis C Settlement Trust Fund – Other

Performance as at December 31, 2011



Inception Date: February 29, 2000

Assets as at December 31, 2011:
\$166,925,773

One year return negatively impacted by equity allocation

1986-1990 Hepatitis C Settlement Trust Fund - Other

Performance by Asset Class as at December 31, 2011



TD Emerald Funds	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception	Assets as at 12/31/2011
Canadian Bond Index Fund	9.77%	8.19%	7.10%	6.94%	6.27%	6.78%	\$58,362,463
DEX Universe Bond Index	9.67%	8.20%	7.26%	7.05%	6.37%	6.83%	
Difference	0.10%	-0.01%	-0.16%	-0.11%	-0.10%	-0.05%	
Canadian Equity Market PFT II	-9.54%	2.82%	12.44%	-1.47%	0.76%	4.79%	\$48,811,719
S&P/TSX Equity Total Return Index	-9.56%	2.82%	12.45%	-1.52%	0.72%	4.58%	
Difference	0.02%	0.00%	-0.01%	0.05%	0.04%	0.21%	
U.S. Market Index Fund	4.30%	6.48%	6.66%	-1.18%	-3.19%	-2.18%	\$30,413,340
S&P 500 Total Return Index ND (C\$)	3.99%	6.17%	6.32%	-1.52%	-3.50%	-2.37%	
Difference	0.31%	0.31%	0.34%	0.34%	0.31%	0.19%	
International Equity Index Fund	-9.82%	-3.99%	1.07%	-7.45%	-7.14%	-2.13%	\$29,274,182
MSCI EAFE Total Return Index ND (C\$)	-9.97%	-4.11%	0.96%	-7.61%	-7.23%	-2.12%	
Difference	0.15%	0.12%	0.11%	0.16%	0.09%	-0.01%	

Return: Post-expense, numbers may not add due to rounding

Account Inception Date: February 29, 2000

* includes Cash assets of \$64,069

Benchmark Sources:

DEX Universe: PC-Bond Analytics

S&P/TSX Equity: TMX Group

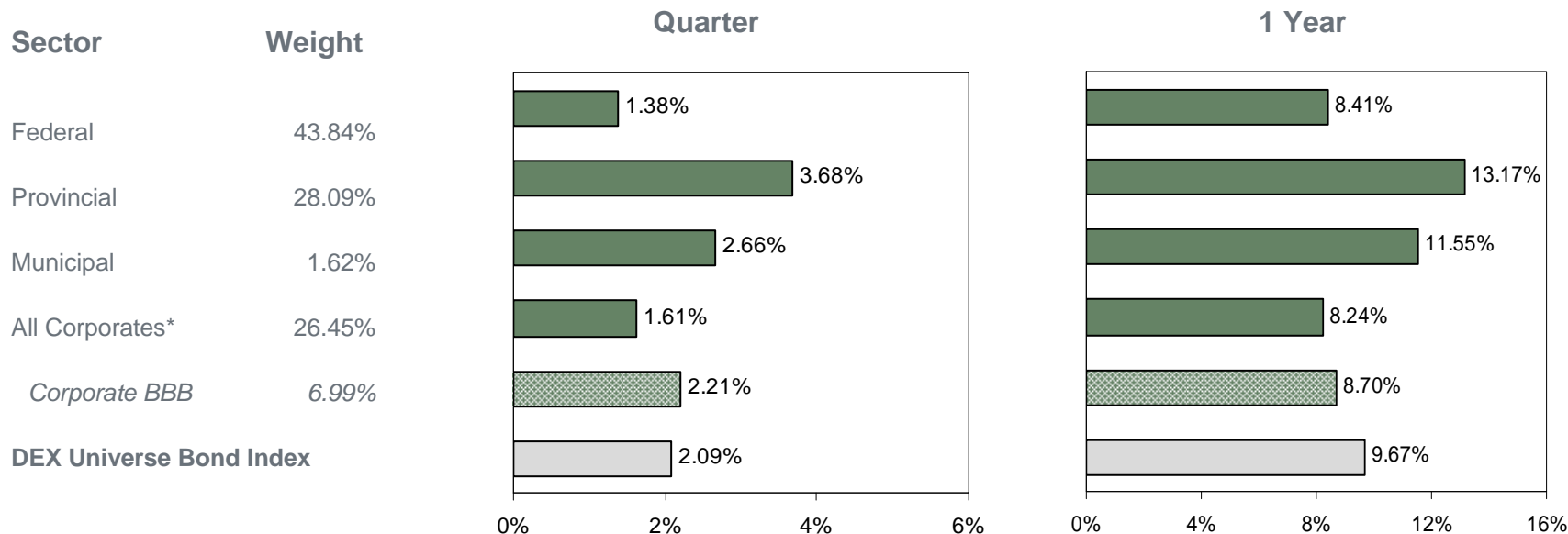
S&P 500: Standard & Poor's

MSCI EAFE: Morgan Stanley Capital Int'l. Inc.

Assets as at December 31, 2011:
\$166,925,773*

Bond Market Update

As at December 30, 2011



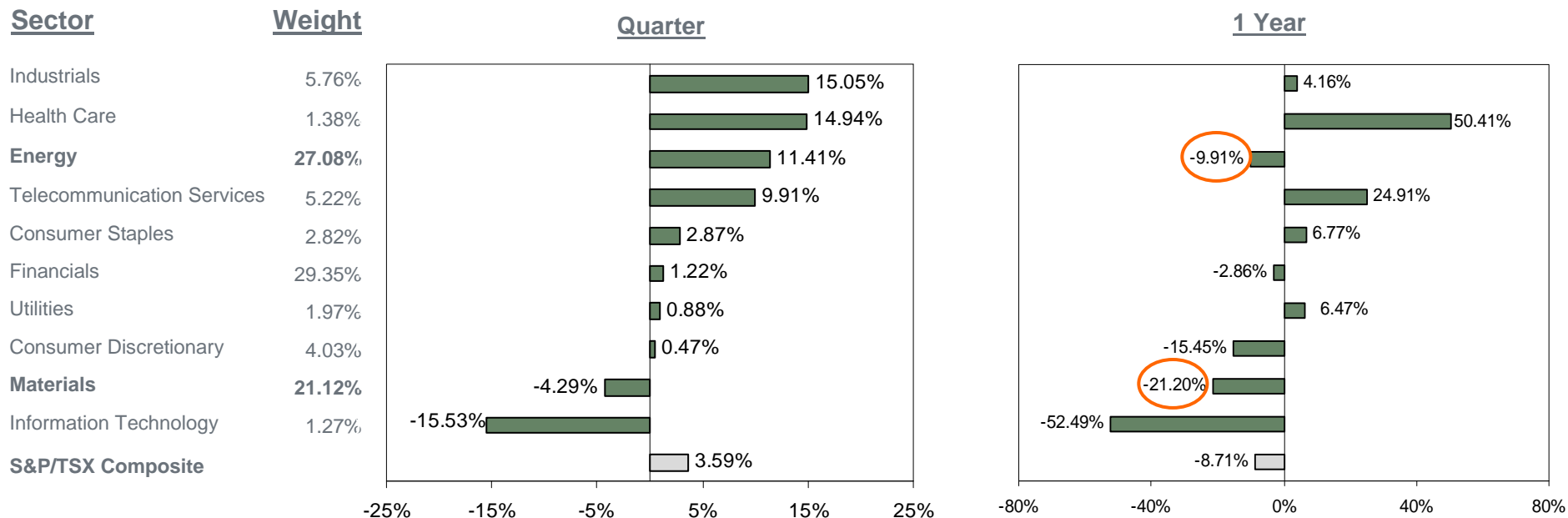
Sources: PC-Bond Analytics, TDAM
*Including BBB Corporates

3-Month Commentary

- Canadian bonds gained on the quarter, capping a strong year, as lingering concerns about the European debt crisis overshadowed improving U.S. economic data.
- Long-term bonds were the best performers for the quarter and the year, followed by mid- and short-term bonds.
- Higher yields and strong company balance sheets also continued to drive demand for corporate bonds. Government bonds continued to benefit from a flight to safety and Canada's strong fiscal and economic position relative to other countries.
- Overall, yields fell 8 basis points October through December, with the average yield on the DEX Universe Index finishing at 2.33%.

Canadian Equity Market Update

As at December 30, 2011



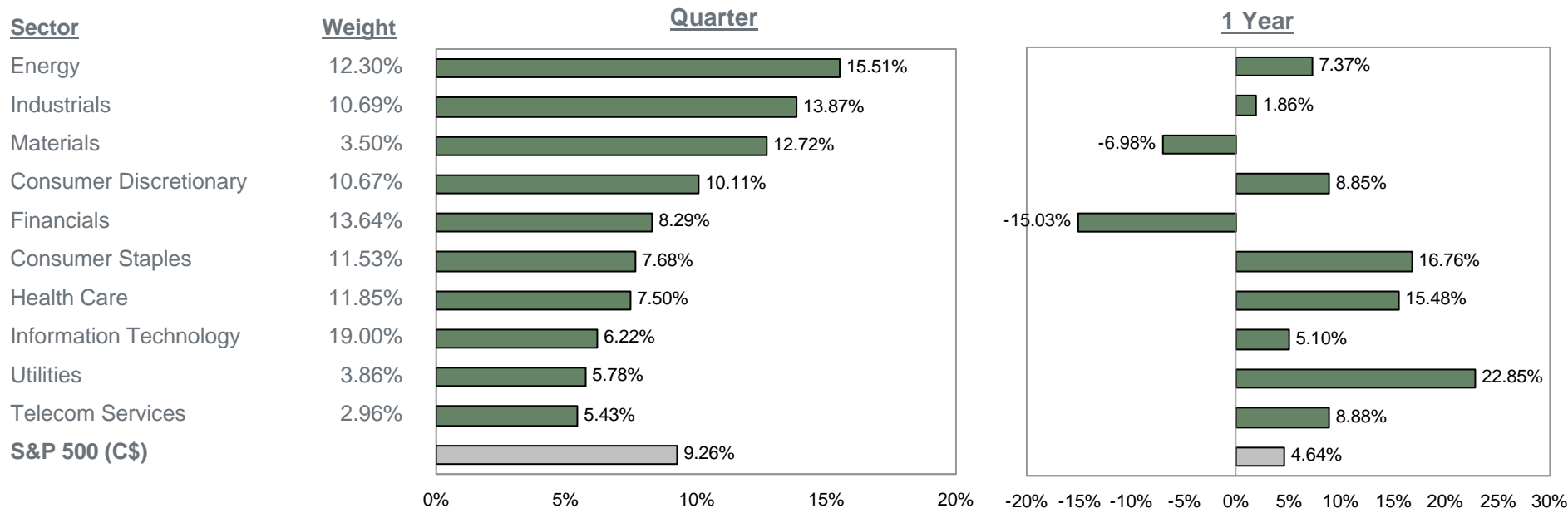
Sources: TMX Group, TDAM

3-Month Commentary

- Canadian equities, along with other world equity markets, remained volatile during the quarter as investors continued to grapple with the European sovereign debt crisis and prospect of a global economic slowdown.
- Still, Canadian stocks gained on signs policy makers made some progress in easing the European debt issues and indications the U.S. economy appeared to be weathering the turmoil in Europe.
- Heading into the new year, investors will be watching for further action by policy makers to contain the European debt problem, and economic data to determine the strength and durability of economic activity.

U.S. Equity Market Update

As at December 30, 2011



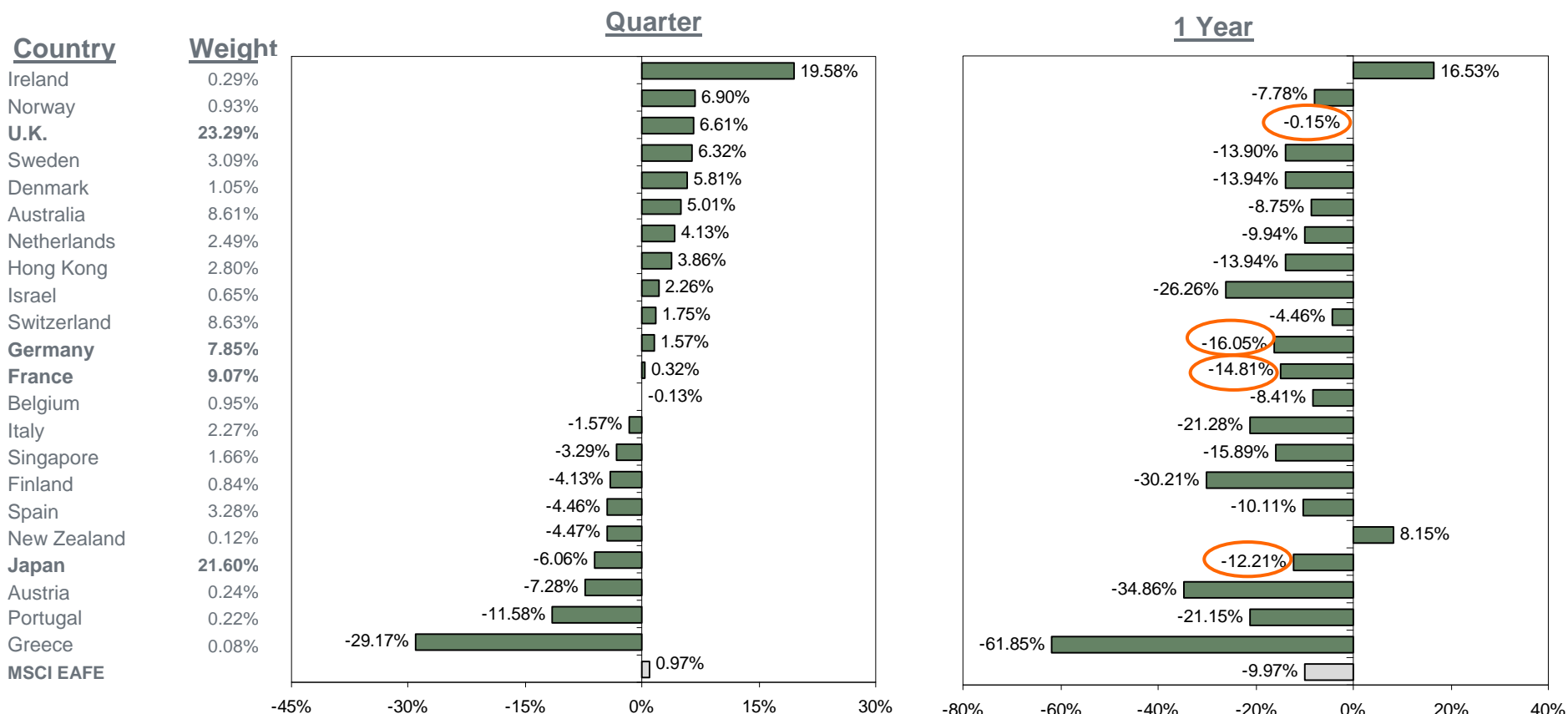
Note: Performance numbers in C\$ terms. Sources: Standard & Poor's, TDAM

3-Month Commentary

- U.S. equities, along with other world equity markets, remained volatile during the quarter as investors continued to grapple with the European sovereign debt crisis and prospect of a global economic slowdown.
- Still, U.S. stocks gained on signs policy makers made some progress in easing the European debt issues and indications the U.S. economy appeared to be weathering the turmoil in Europe.
- Heading into the new year, investors will be watching for further action by policy makers to contain the European debt problem, and economic data to determine the strength and durability of economic activity.
- The Canadian dollar gained relative to its U.S. counterpart, so that it dampened the positive returns in Canadian dollar terms.

International Equity Market Update*

As at December 30, 2011



3-Month Commentary

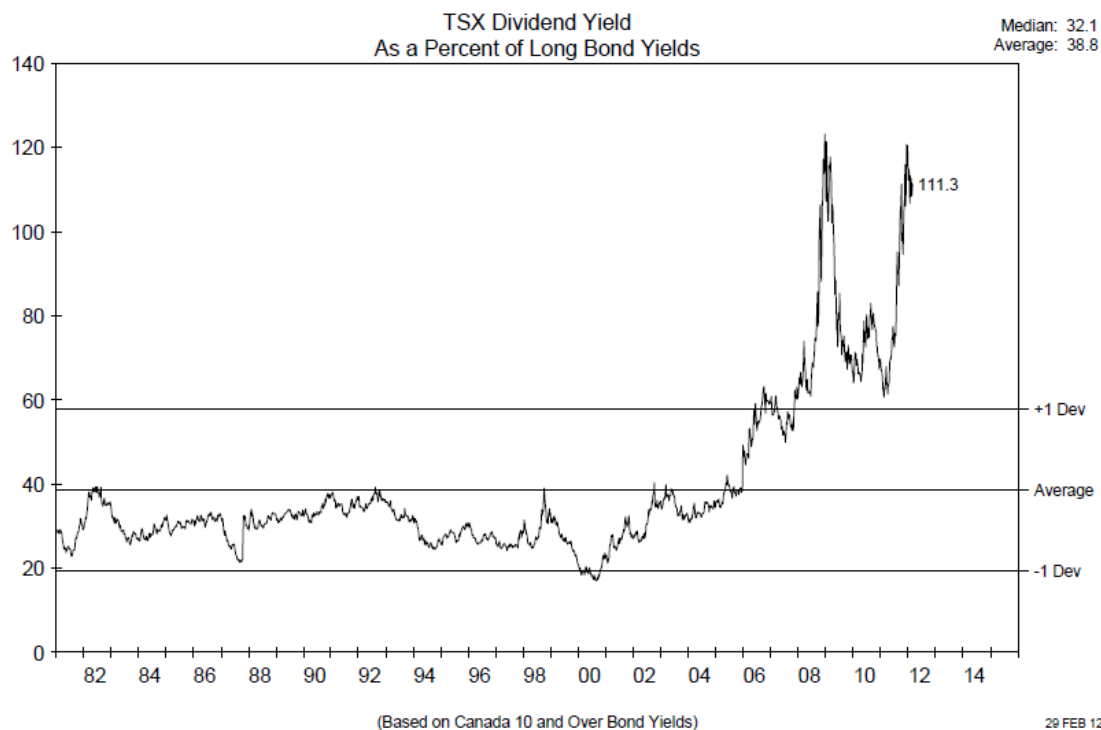
- The performance of international equity markets was mixed during the quarter, as positive U.S. economic data and some better-than-expected European data were overshadowed by persistent concerns about the Europe sovereign debt crisis.
- The Canadian dollar gained relative to most other major currencies, so that it had a negative effect on returns in Canadian dollar terms.

* MSCI EAFE sector rankings in C\$ terms. Sources: Morgan Stanley Capital Int'l. Inc., TDAM

Current Observations in the Equity Markets



- Equity volatility and correlations lower
- Cash rich corporate balance sheets
- Dividend yield-bond yield relationship at unusual juncture



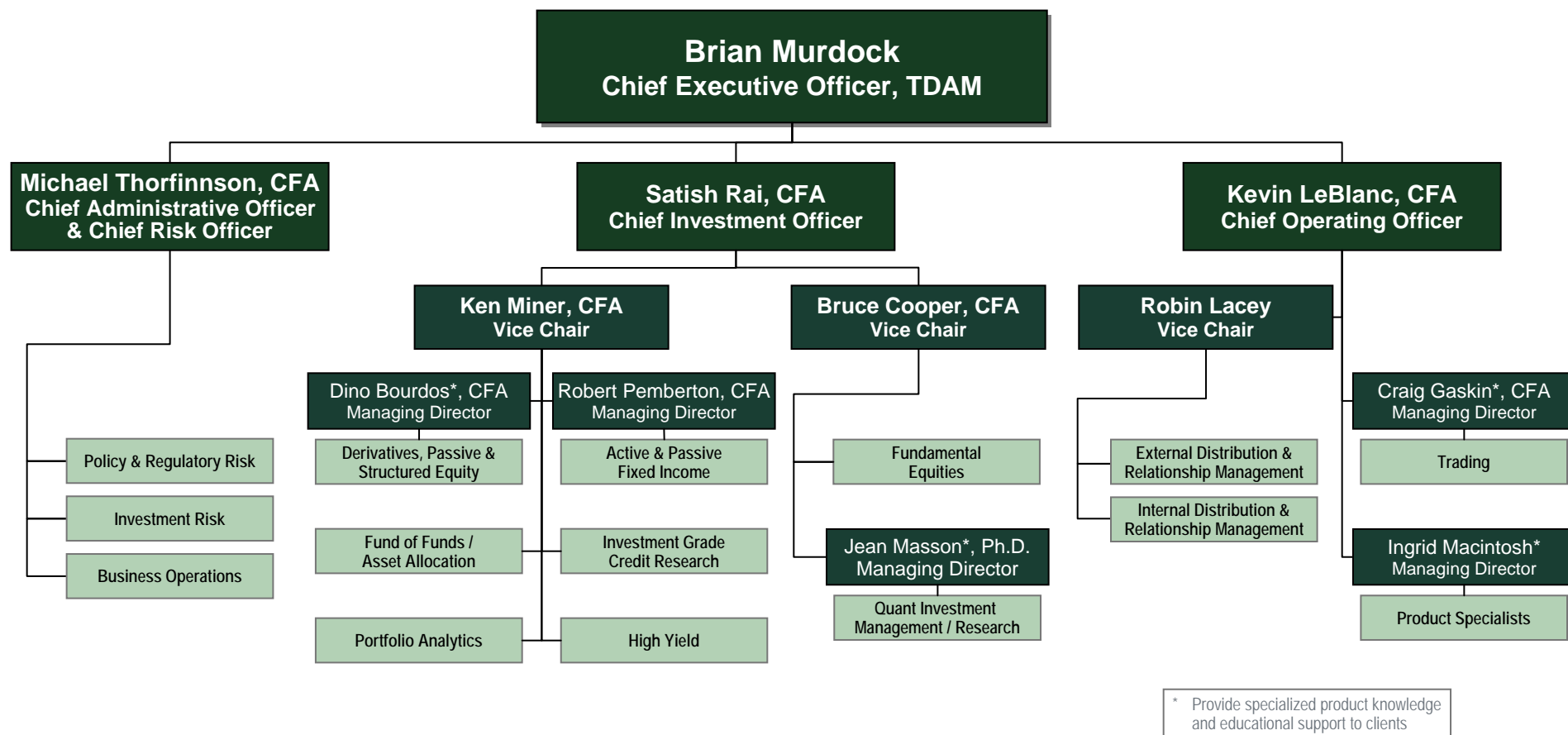
Sources: TDAM, TD Securities
March 7, 2012

Appendix



Investment Management Division

Organizational Structure



TD Asset Management (TDAM) operates as TD Asset Management Inc. in Canada and TDAM USA Inc. in the US.
 TD Asset Management Inc. and TDAM USA Inc. are wholly-owned subsidiaries of The Toronto-Dominion Bank (TD Bank).
 TDAM USA Inc. is an affiliate of TD Asset Management Inc. TD Asset Management Inc. leverages the experience of TDAM USA Inc. employees.

TD *Emerald* Canadian Bond Index Fund

Tracking Variance Attribution – December 31, 2011



Fund:	3 Months	1 Year
Canadian Bond Index Fund	2.07%	9.77%
DEX Universe Bond Index	2.09%	9.67%
Difference	-0.03%	0.10%
Attribution:		
Exclusion of BBBs ❶	-0.03%	0.08%
Transactions Costs ❷	0.00%	-0.01%
Misweightings ❸	0.00%	0.03%
Fund Expenses/Securities Lending ❹	0.00%	-0.01%
Total	-0.03%	0.09%

- ❶ Fund owns no BBB corporates, whereas the Index does. Spread changes cause tracking variance.
- ❷ Transactions costs, due to the bid/ask spread, are negative.
- ❸ Other tracking variance, due to deviations from Index weights, is randomly positive or negative.
- ❹ These include legal, custody and audit expenses net of any securities lending revenues.

Benchmark source: PC-Bond Analytics
Numbers may not add due to rounding

Please see end of document for important disclosures.

TD *Emerald* Canadian Equity Market Pooled Fund Trust II

Tracking Variance Attribution – December 31, 2011



Fund:	3 Months	1 Year
Canadian Equity Market PFT II	3.46%	-9.54%
S&P/TSX Equity Total Return Index	3.49%	-9.56%
Difference	-0.03%	0.02%
Attribution:		
Weighting Deviations ❶	-0.02%	0.04%
Transactions Costs ❷	0.00%	-0.01%
Fund Expenses ❸	-0.01%	-0.03%
Index Changes/Implementation/Other ❹	0.00%	0.02%
Total	-0.03%	0.02%

- ❶ Portfolio weights may differ slightly from index weights, causing tracking variance.
- ❷ Commissions and bid/ask spread have negative impact.
- ❸ These include custody, legal and audit fees, net of any securities lending revenue.
- ❹ Index change implementation & trading, class action settlements and corporate actions can cause tracking variance.

Benchmark source: TMX Group
PFT = Pooled Fund Trust
Numbers may not add due to rounding

Please see end of document for important disclosures.

TD *Emerald* U.S. Market Index Fund

Tracking Variance Attribution – December 31, 2011



Fund:	3 Months	1 Year
U.S. Market Index Fund	9.13%	4.30%
S&P 500 Total Return Index ND (C\$)	9.07%	3.99%
Difference	0.06%	0.31%
Attribution:		
Weighting Deviations ❶	-0.04%	0.01%
Transactions Costs ❷	0.00%	-0.01%
Fund Expenses ❸	-0.01%	-0.03%
Withholding Tax Differential ❹	0.10%	0.33%
Index Changes/Implementation/Other ❺	0.01%	0.01%
Total	0.06%	0.31%

Benchmark source: Standard & Poor's
Numbers may not add due to rounding

- ❶ Portfolio weights may differ slightly from index weights, causing tracking variance.
- ❷ Commissions and bid/ask spread have negative impact.
- ❸ These include custody, legal and audit fees, net of any securities lending revenue.
- ❹ The difference between withholding tax rates assumed by S&P in its index vs. actual withholding rate applicable to the fund.
- ❺ Index change implementation & trading, class action settlements and corporate actions can cause tracking variance.

Please see end of document for important disclosures.

TD *Emerald* International Equity Index Fund

Tracking Variance Attribution – December 31, 2011



Fund:	3 Months	1 Year
International Equity Index Fund	0.98%	-9.82%
MSCI EAFE TR Index ND (C\$)	0.97%	-9.97%
Difference	0.01%	0.15%
Attribution:		
Weighting Deviations ❶	0.08%	0.29%
Withholding Tax Differential ❷	-0.05%	-0.08%
Transactions Costs ❸	-0.01%	-0.05%
Pricing ❹	0.00%	0.00%
Fund Expenses ❺	-0.02%	-0.06%
Index Changes/Implementation/Other ❻	0.01%	0.05%
Total	0.01%	0.15%

Benchmark source: Morgan Stanley Capital International Inc.

Numbers may not add due to rounding

- ❶ Portfolio weights may differ slightly from index weights, causing tracking variance.
- ❷ Impact of differential between withholding tax rates assumed in MSCI indices and rates applicable to the fund.
- ❸ Commissions and bid/ask spread have negative impact.
- ❹ Difference in pricing between the fund pricing source and the benchmark.
- ❺ These include legal, custody and audit expenses net of any securities lending revenues.
- ❻ Index change implementation & trading, class action settlements and corporate actions can cause tracking variance.

Please see end of document for important disclosures.

Disclosure / Disclaimer



The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. The information does not provide individual financial, legal, tax or investment advice and is for information purposes only. Graphs and charts are used for illustrative purposes only and do not reflect future values or changes. Past performance is not indicative of future returns. TD Asset Management Inc. (TDAM), The Toronto-Dominion Bank (TD Bank) and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

Please read the prospectus, which contains 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. Important information about the pooled fund investment is contained in their offering circular, which we encourage you to read before investing. Please obtain a copy. All performance data represent past returns and are not necessarily indicative of future performance. Pooled Fund units are not deposits as defined by the Canada Deposit Insurance Corporation or by the Autorité des marchés financiers du Québec and are not guaranteed by the TD Bank.

All products contain risk. Important information about the pooled fund trusts is contained in their offering circular, which we encourage you to read before investing. Please obtain a copy. The indicated rates of return are the historical annual compounded total returns of the funds including changes in unit value and reinvestment of all distributions. Yields, investment returns and unit values will fluctuate for all funds. All performance data represent past returns and are not necessarily indicative of future performance. Pooled Fund units are not deposits as defined by the Canada Deposit Insurance Corporation or any other government deposit insurer and are not guaranteed by TD Bank.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable and may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TDAM may not update any FLS.

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REPORT OF ECKLER LTD. ACTIVITIES

The firm of Eckler Ltd. was engaged to provide the Trust Fund with continuing actuarial advice during the period from January to December, 2011. During this fiscal year Eckler Ltd completed the fourth triennial actuarial valuation of the assets and liabilities of the Trust Fund as at December 31, 2010, and provided continuing assistance to the Joint Committee on a number of issues including, reviewing TD asset reports; reviewing 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 2012, various discussions with counsel and other miscellaneous items.



Hepatitis C Settlement Trust Fund

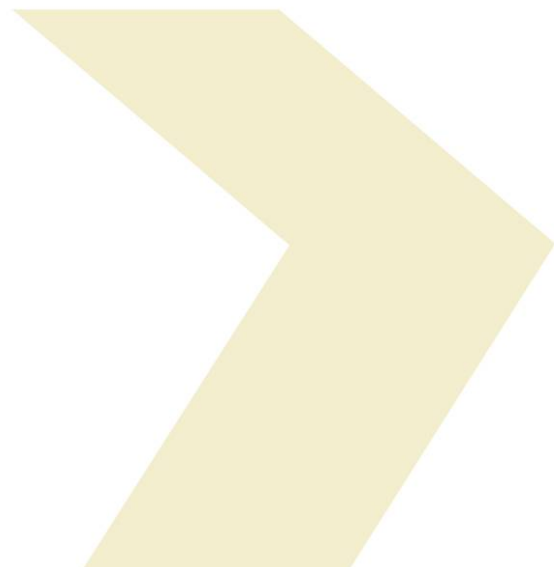
Investment Summary as at December 31, 2011

March 7, 2012

Eckler

CONSULTANTS + ACTUARIES

A MEMBER OF ABELICA GLOBAL



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 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 as well as previous performance analyses done by Towers Watson**
- > **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	Bench- mark	Dec-11			Dec-10		
				Value	Asset Alloc	Fund Alloc	Value	Asset Alloc	Fund Alloc
Long term	Real Return Bonds	Passive	80.0%	813,077	82.4%		776,979	85.5%	
	Universe Bonds	Index	6.0%	58,481	5.9%		43,104	4.7%	
	Canadian Equity	Index	7.0%	54,388	5.5%		50,361	5.5%	
	US Equity	Index	3.5%	30,907	3.1%		17,972	2.0%	
	EAFE Equity	Index	3.5%	30,158	3.1%		19,945	2.2%	
	Cash		0.0%	218	0.0%		85	0.0%	
			100.0%	987,228	100.0%	79.1%	908,445	100.0%	77.2%
Short Term									
	Short Term Bonds	Index		82,446			81,217		
	Cash			61			113		
				82,507		6.6%	81,329		6.9%
Total Invested Assets *				1,069,735		85.7%	989,775		84.1%
Provinces Notional Assets (net of prepayments/include outstanding payments)				178,427		14.3%	187,487		15.9%
Total Assets				1,248,162		100.0%	1,177,262		100.0%

* Total Invested Assets includes prepayments from Alberta and Yukon

Split of Invested Assets between:		Dec-11	Dec-10
	Long Term Fund	92.3%	91.8%
	Short Term Fund	7.7%	8.2%
	Total Invested Assets	100.0%	100.0%

Totals may not add due to rounding

Comments on Asset Summary

As of December 31, 2011

- > **Weighting for real return bonds is currently 2.4% above their benchmark of 80% of the Long Term Fund**
 - This is a decrease from December 31, 2010 (5.5% above benchmark)
- > **Universe bonds are 0.1% below their benchmark of 6%**
 - This has increased from a 1.3% underweight as at December 31, 2010
- > **Equities are below their benchmark by 2.3%**
 - At December 31, 2010 they were 4.3% below their benchmark
- > **Provinces/Territories Notional Funds are net of prepayments by Alberta and Yukon**
 - See further detail on page 7
- > **As a percentage of the Invested Assets, the Long Term Fund has increased from 91.8% to 92.3%, while the Short Term Fund has decreased from 8.2% to 7.7% 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, 2010	777,000	131,446	81,329	989,775	187,487	1,177,262
Investment Income (realized and unrealized)	110,370	(3,595)	3,541	110,316	1,671	111,987
Inflow: Recoveries from Provinces	-	-	10,732	10,732	(10,732)	0
Additional prepayments	-	-	-	-	-	-
Outflow: Benefit Payments	-	-	(37,677)	(37,677)	-	(37,677)
Expenses	-	-	(3,411)	(3,411)	-	(3,411)
Transfers between funds	(74,140)	46,148	27,992	0	-	-
Closing, at December 31, 2011	813,230 ²	173,998 ²	82,507	1,069,735	178,427	1,248,162

1. Invested Assets include Provinces/Territories 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 (PT) assets) have increased since December 31, 2010 by \$80.0m**
 - As a result of positive investment returns and the “federal” 8/11ths share of the total payouts
- > **The notional PT assets have decreased by \$9.1m**
 - As a result of their 3/11ths share of the total payout exceeding interest credits at T-bill rates.
- > **Total assets (i.e. including PT assets) have increased by \$70.9m**
- > **Benefits are paid from the Short Term Fund**
- > **From June 2002 onwards all recoveries from the provinces were allocated to the Short Term Fund**
 - This practice is expected to continue in the future
- > **TD Asset Management made net transfers from the Long Term Fund to the Short Term Fund of \$28m**
 - \$22m from real return bonds in June and December 2011
 - \$6m from other long term funds - spread over the period
- > **TD Asset Management made transfers from the real return bond fund to the other long term funds of \$52m in April and May 2011**

Provinces/Territories Assets (\$,000's)

	Gross PT Assets	Less: prepayments		Net PT Assets
		Yukon	Alberta	
Initial, at December 31, 2010	187,878	20	371	187,487
Interest Credits	1,672	-	1	1,671
Additional Prepayments	-	-	-	-
3/11th share of benefits/expenses	(11,116)	(13)	(371)	(10,732)
Closing, At December 31, 2011	178,434	8	(0)	178,427

Notes:

Ontario's prepayments were used up by August 2002.

Alberta prepayments were used up by June 2011.

Totals may not add due to rounding.

Investment Returns

Fund	Portfolio	Fiscal Year ending		
		Dec-09	Dec-10	Dec-11
Long term	Real Return Bonds	12.3%	9.2%	15.2%
	Universe Bonds	5.0%	6.6%	9.8%
	Canadian Equity	34.5%	16.9%	-9.5%
	US Equity	7.0%	8.7%	4.3%
	EAFE Equity	12.0%	2.2%	-9.8%
	Total	12.7%	9.3%	11.9%
Short Term	Short Term Bonds	4.1%	3.5%	4.7%
Total Invested Assets		12.0%	8.9%	11.4%
Notional PT Assets		0.4%	0.5%	0.9%
Total Assets		9.8%	7.5%	9.8%

Quarterly Returns Fiscal Dec 2011			
Mar-11	Jun-11	Sep-11	Dec-11
0.6%	3.5%	5.1%	5.3%
-0.3%	2.5%	5.2%	2.1%
5.2%	-5.2%	-12.3%	3.5%
3.6%	-0.8%	-7.1%	9.1%
1.2%	0.9%	-12.5%	1.0%
0.9%	2.7%	2.9%	4.9%
0.3%	1.5%	2.3%	0.5%
0.9%	2.6%	2.8%	4.6%
0.2%	0.2%	0.2%	0.2%
0.8%	2.3%	2.5%	4.0%

Notes:

- The 2009, 2010 and 2011 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.
- 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.
- 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 9.8% for the 2011 calendar year is the result of positive returns from all the component portfolios except Canadian and EAFE equity.
- > EAFE equities produced the worst returns in 2011 of -9.8%, followed by the Canadian equities of -9.5%.
- > Real Return Bonds produced the best returns in 2011 of 15.2%, as a result of continued falls in real return bond yields.
- > The Provinces/Territories notional fund increases with interest at the 3 month T-bill rate; In 2011, these rates were significantly lower than the returns on the invested assets.

Tracking Error

		Fiscal Year ending				4 years	Target tracking error	
		Dec-08	Dec-09	Dec-10	Dec-11	to Dec 2011	1 year	4 years
Universe Bonds	Actual	6.5%	5.0%	6.6%	9.8%	6.94%	0.20%	0.10%
	Index	6.4%	5.4%	6.7%	9.7%	7.05%		
	t/e	0.1%	-0.4%	-0.1%	0.1%	-0.11%		
Canadian Equity	Actual	-33.7%	34.5%	16.9%	-9.5%	-1.47%	0.30%	0.15%
	Index	-33.9%	34.5%	16.9%	-9.6%	-1.52%		
	t/e	0.2%	0.0%	0.0%	0.1%	0.05%		
US Equity	Actual	-21.4%	7.0%	8.7%	4.3%	-1.18%	0.30%	0.15%
	Index	-21.5%	7.0%	8.4%	4.0%	-1.35%		
	t/e	0.1%	0.0%	0.3%	0.3%	0.17%		
EAFE Equity	Actual	-29.0%	12.0%	2.2%	-9.8%	-7.47%	0.60%	0.30%
	Index	-29.2%	11.9%	2.1%	-10.0%	-7.61%		
	t/e	0.2%	0.1%	0.1%	0.2%	0.14%		
Short Term Bonds	Actual	8.8%	4.1%	3.5%	4.7%	5.28%	0.20%	0.10%
	Index	8.6%	4.5%	3.6%	4.7%	5.31%		
	t/e	0.2%	-0.4%	-0.1%	0.0%	-0.03%		

Comments on Tracking Error

- > **Universe Bonds and US Equity had a tracking error outside the target range for 4 years ending 2011, but was inside the 1 year target range for 2011.**
- > **All other portfolios met their tracking error target over both one and four years for 2011.**

1986-1990 Hepatitis C Claims Centre

Annual Report for the Period Ending December 31, 2011

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 12

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. Met with the Joint Committee in March; provided and discussed updated claim statistics.
4. Provided all requested data reports to the Joint Committee for the December 31, 2010 fund sufficiency review.
5. Continued to complete late claim questionnaires on behalf of the Joint Committee in regards to individuals who are seeking to submit a claim after the June 30, 2010 first claim deadline.
6. Provided 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.
7. Continued to work in collaboration with Canadian Blood Services, Héma-Québec, provincial hepatitis c programs, and medical experts.
8. Updated the www.hepc8690.ca website monthly and as needed.
9. Prepared files for Fund Counsel, Referees, and Arbitrators and attended seven (7) in person hearings and eleven (11) by conference call.

Key Claims Evaluation Statistics as of December 31, 2011

Funds disbursed	\$706,353,202.48
Claims received	16,547
Claims approved	13,263
Claims denied	2,459
Claims in progress	825
Appeals	459
Decisions Rendered	316
Mediated/Withdrawn/Rescinded/Archived	103
Traceback requests initiated	4,880

Crawford continues to meet or exceed all service performance criteria.

1986 - 1990 Hep C and EAP2 Administration
Summary of Activity as of Dec 31, 2011

Category	Annual Totals		
	Actual	Budget	Variance
POC	317	335	-18
FMA	38	15	23
Supplemental Claim Payments			
Drug Therapy	82	98	-16
Out of Pocket Expenses	436	419	17
Uninsured Meds	299	308	-9
Funeral Expenses	32	20	12
Cost of Care	227	153	74
Hemo 23 Election	1	0	1
Loss of Income	113	98	15
Loss of Services	621	578	43
Loss of Support	105	86	19
Disease Progression Claims	71	66	5
Appeals			
Initial Claims	16	10	6
Supplemental Payments	1	2	-1
Soft Rejections	27	10	17
Tracebacks Initiated	38	70	-32
Calls			
Calls Received	4,060	3,500	560
Call Backs	4,060	3,500	560

Total Annual Budget Adjustment \$2,157.30

**SUMMARY OF JOINT COMMITTEE WORK
DURING TWELFTH YEAR OF OPERATIONS (2011)**

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 service providers and to undertake the triennial fund sufficiency review.
2. In Year 12 (2011), approximately \$37.4 million in claims were paid. Operating expenses of administration and all service providers were approximately \$3.2 million. The total amount paid for claims over the life of the settlement now totals approximately \$706.3 million.
3. In Year 12 (2011), the invested assets held by the Trustee increased approximately \$79.7 million, representing growth of approximately 8.1% (net of payments out). As at December 31, 2011, the value of the Trust Fund was approximately \$1.070 billion and the unpaid liability of the provincial and territorial governments was approximately \$176.7 million, such that there was a total of approximately \$1.2 billion available to satisfy the claims of class members.
4. The most time consuming issues for the Joint Committee in Year 12 (2011) were:
 - (a) preparing the material and motion for the court approval of the 2010 Annual report and Financial statements;
 - (b) preparing and coordinating the production of the following reports and affidavits for the financial sufficiency review as at December 31, 2010:
 - the Fourth Revision of HCV Prognostic Model incorporating data from the Compensation Claimant Cohort prepared by Dr. Murray Krahn and his colleagues dated April 2011;

- the detailed affidavit of Dr. Frank H. Anderson pertaining to the latest developments in the Hepatitis C research and treatments dated July 17, 2011;
 - The Joint Committee Report relating to the financial sufficiency of the Hepatitis C Trust as at December 31, 2010 dated July 27, 2011;
 - The Actuarial report assessing the financial sufficiency of the 1986-1990 Hepatitis C Trust Fund as at December 31, 2010 prepared by Eckler Ltd dated July 27, 2011;
- (c) collecting information and comments from approved claimants pertaining to their actual needs, health status, living conditions and access to new medications and treatments;
- (d) considering different options to deal with persons who contacted the Administrator after the First Claim Deadline of June 30, 2010;
- (e) drafting a proposed protocol relating to those who contacted the Administrator after the First Claim Deadline, preparing motion material seeking court approval of the protocol, and discussing issues with representatives of the federal and provincial governments;
- (f) preparing material and motions and obtaining a partial immunity order from the courts for the actuaries and the Court Monitor;
- (g) reviewing the tariff applicable to the Referees and Arbitrators, and the remuneration of the Joint Committee members and preparing material and motions and obtaining an order from the courts amending the tariff.
5. Other projects commenced and/or completed by the Joint Committee in Year 12 (2011) were:

- (a) meeting with the Administrator to review administrative issues generally and to identify matters that can be simplified or otherwise improved as it relates to approved claims;
 - (b) preparing material and motions and obtaining an order from the courts for the appointment of a successor to Bonnie Tough to act as the hemophilia representative on the Joint Committee;
 - (c) confirming the termination of the service agreement with BCCDC at their request as the designated facility for the PCR testing of claimants;
 - (d) corresponding with Canadian Blood Services in connection with its court application to destroy frozen samples and its subsequent request for additional storage costs and the costs of destruction, which the Joint Committee declined to approve;
 - (e) addressing a request from the Trustee for the KPMG administered Canadian Red Cross Settlement that the Hepatitis C 1986-1990 Settlement Agreement transfer funds to the CRC Settlement; and
 - (f) responding to various policy issues raised by the Administrator for direction from the Joint Committee.
6. The Joint Committee predicted that the most pressing issue in Year 12 (2011) would be the 2010 financial sufficiency review and the motion for a court approved protocol to adopt the administrative processes to deal with claims brought after June 30, 2010. These predictions proved to be right and are discussed in more detail below.

FINANCIAL MATTERS AND BUDGETARY PROCESS

7. 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;
 - (f) epidemiologist and physicians who assist in medical modelling.
8. The material and court application for the Year 13 (2012) budgets was gathered and prepared during the fourth quarter of Year 12 (2011) and submitted to the courts in January 2012.

CLAIMANTS WISHING TO MAKE A CLAIM AFTER THE JUNE 30, 2010 DEADLINE

9. Due to the First Claims Deadline contained in sections 3.08 of the Transfused HCV Plan and section 3.07 of the Hemophiliac HCV Plan, as of July 1, 2010, the Administrator ceased issuing application forms to first time claimants. The Joint Committee subsequently instructed the Administrator to re-commence issuing claims forms to those persons who reached the age of majority one year or less before contacting the Administrator.
10. Claimants have continued to contact the Administrator to make a claim after June 30, 2010. During the Year 12 (2011), the Administrator received a total of 110 (76 primarily infected claims and 34 family member/dependants claims) requests to file a first claim.
11. The Joint Committee instructed the Administrator to continue surveying the claimants as to the reasons why they were attempting to make a first claim after June 30, 2010. The Joint Committee continued to monitor the completed surveys returned to the Administrator.

12. After filing its formal motion for approval of a proposed protocol, and following opposition expressed by the governments, the Joint Committee entered into discussions with the opposing parties with a view to trying to reach consensus.

FUND SUFFICIENCY REVIEW

13. In Year 12 (2011) the Joint Committee undertook intensive work with both the medical modelling experts and the actuaries in order to file the material and prepare the motion pertaining to the financial sufficiency review triggered at December 31, 2010. This work included a detailed review of claims experience and analysis of claimant data maintained by the Administrator and the creation of assumptions on final cohort size and claims as set out in the Report of the Joint Committee Relating to Financial Sufficiency dated July 27, 2011.
14. That work continues and will intensify in Year 13 (2012) as the Joint Committee is currently reviewing the responding material received from the Federal government. It is considering whether to prepare any reply materials and is preparing for the first hearing to be held before the courts regarding financial sufficiency which is scheduled to take place in September, 2012. The JC must also prepare the subsequent hearings regarding whether the courts will exercise their discretion to allocate any actuarially unallocated moneys or assets and, if so, how.

REVIEW OF THE CLAIMS PROCESS

15. The Joint Committee also met with the Administrator and performed a thorough review of each step of the different claim type administration process in order to identify areas or ways to assist claimants to complete their claim application.
16. The Joint Committee has asked for and the Administrator has agreed to advance proposals which could facilitate and/ or accelerate the processing and the payment of certain type of claims, such as the annual renewal claim for loss of income and loss of services and the reimbursement of out of pocket expenses.

PORTFOLIO OVERSIGHT

17. In Year 12 (2011), the invested portion of the Trust Fund closed at \$1.070 billion, up approximately \$79.7 million from the previous year, after having paid out approximately \$37.4 million in claims and approximately \$3.2 million in administration and service provider expenses. (The obligation of the provinces which fund on a pay as you go basis is estimated to be about \$176.7 million as at December 31, 2011.)
18. 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. There was an 11.4% return of the total invested assets in Year 12 (2011). The value of the invested assets of the Trust Fund increased by approximately 8.1% in Year 12 (2011) (net of payments to claimants and expenses of administration of the Settlement).
19. The vast majority of the assets (approximately \$813.2 million) are invested in Government of Canada Real Return Bonds which produced a return of 15.2% in 2011. The return on these bonds since inception is 9.1%. The performance is driven by strong demand for these bonds with a limited supply. The next largest asset class is short term bonds which produced a return of 4.7% in 2011. The return on these bonds since inception is 5.4%. The “other” invested assets, which include Canadian and foreign equities and bond funds, produced a negative return of 1.4% in 2011. The return on equities since inception is 3.4%.
20. In 2010, the Investment Guidelines for the Trust Fund were revised. The Trust Fund was inside the Guideline’s one year tracking range for 2011. Universe Bonds and US Equity had a tracking error outside the target range for 2011. All other portfolios met their tracking error target over both one year and four years for 2011.
21. The mismatch between the duration of fixed income instruments and the ongoing plan liabilities which was raised by Eckler at the time the Investment Guidelines for the Trust Fund were revised was deferred by the Courts pending the 2010 financial sufficiency

review. The ongoing mismatch in durations will continue to have a negative effect on overall investment return.

YEAR 12 JC FEES

**Joint Committee Fees and Disbursements Incurred in the Period from
January 1, 2011 to December 31, 2011**

GENERAL

	British Columbia	Quebec	Ontario (Hemophiliac)	Ontario (Transfused)	Total
General Fees	130,400.00	106,479.00	50,160.00	158,439.50	445,478.50
General Disbursements	18,206.77	6,343.19	6,337.17	7,449.47	38,336.60
GST	n/a	5,641.11	n/a	n/a	5,641.11
PST	n/a	10,069.38	n/a	n/a	10,069.38
HST	17,765.62	n/a	7,262.80	20,597.14	45,625.56
Total	166,372.39	128,532.68	63,759.97	186,486.11	545,151.15

SUFFICIENCY-RELATED

	British Columbia	Quebec	Ontario (Hemophiliac)	Ontario (Transfused)	Total
Sufficiency Fees	95,455.00	51,395.00	28,865.00	130,543.50	306,258.50
Sufficiency Disbursements	6,566.19	1,564.07	0	4,107.66	12,237.92
GST	n/a	2,647.60	n/a	n/a	2,647.60
PST	n/a	4,725.97	n/a	n/a	4,725.97
HST	12,232.94	n/a	3,752.45	17,504.66	33,490.05
Total	114,254.13	60,332.64	32,617.45	152,155.82	359,360.04

**TOTAL FEES AND DISBURSEMENTS
(GENERAL PLUS SUFFICIENCY-RELATED)**

	British Columbia	Quebec	Ontario (Hemophiliac)	Ontario (Transfused)	Total
Total Fees	225,855.00	157,874.00	79,025.00	288,983.00	751,737.00
Total Disbursements	24,772.96	7,907.26	6,337.17	11,557.13	50,574.52
GST	n/a	8,288.71	n/a	n/a	8,288.71
PST	n/a	14,795.35	n/a	n/a	14,795.35
HST	29,998.56	n/a	11,015.25	38,101.80	79,115.61
Total	280,626.52	188,865.32	96,377.42	338,641.93	904,511.19

REPORT OF FUND COUNSEL

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. William Ferguson was appointed Fund Counsel for the British Columbia Class Actions by Order of the British Columbia Supreme Court.
3. During the fiscal period **January 1, 2011 to December 31, 2011**, 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.

Number of total appeals received from the beginning to Dec 31, 2011	312
Number of appeals received from January 1, 2011 to December 31, 2011	15
Number of total completed appeals (decisions rendered) from the beginning to December 31, 2011	207
Number of completed appeals (decisions rendered) from January 1, 2011 to December 31, 2011	9
Number of total withdrawals from the beginning to December 31, 2011	38
Number of withdrawals from January 1, 2011 to December 31, 2011	2
Number of total rescissions of denial from the beginning to December 31, 2011	20
Number of rescissions of denial from January 1, 2011 to December 31, 2011	1
Number of total Mediated Appeals from January 1, 2011 to December 1, 2011	7
Number of Mediated appeals from January 1, 2011 to December 31, 2011	0
Number of Archived Appeals	5
Number of pending Appeals as of December 31, 2011 (subtotal-see below)	36
Number of total requests for judicial confirmation from the beginning to December 31, 2011	53
Number of requests for judicial confirmation from January 1, 2011 to December 31, 2011	1
Number of total judicial decisions from the beginning to December 31, 2011	***38
Number of judicial decisions from January 1, 2011 to December 31, 2011	0

Number of Appeals Justice Winkler has sent back to Referee up to December 31, 2011	4
Number of Appeals that have been sent back that now have Final Decision from Justice Winkler	1
Number of Appeals sent back by Justice Winkler that have been withdrawn by claimant up to December 31, 2011	1
Total Number of pending Appeals as of December 31, 2011 including Appeals sent back to Referee by Justice Winkler	38

*** These numbers of the judicial decisions do not include the decisions from Justice Winkler sending them back to the Referee to be reheard.

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.

Ontario Fund Counsel incurred fees of **\$108,708.00** plus GST/HST on fees of **\$14,132.04**. With respect to disbursements, Ontario Fund Counsel incurred disbursements in the total sum of **\$12,182.02**, **\$7,862.00** of which related to travel expenses and **\$1,000.00** to expert expenses. With taxes, the total amount of fees and disbursements incurred is **\$135,022.06**.

(b) **Quebec Fund Counsel**

Particulars of the appeals are as follows:

Number of total appeals received from the beginning to December 31, 2011:	77
Number of appeals received from January 1, 2011 to December 31, 2011:	0
Number of total completed appeals (decisions rendered) from the beginning to December 31, 2011:	61
Number of completed appeals (decisions rendered) from January 1, 2011 to December 31, 2011:	1
Number of total withdrawals from the beginning to December 31, 2011:	10
Number of withdrawals from January 1, 2011 to December 31, 2011:	0

Number of total mediated appeals from the beginning to December 31, 2011:	1
Number of mediated appeals from January 1, 2011 to December 31, 2011:	0
Number of total rescissions of denial from the beginning to December 31, 2011:	5
Number of rescissions of denial from January 1, 2011 to December 31, 2011:	0
Number of pending appeals as of December 31, 2011:	0
Number of total requests for Judicial confirmation from the beginning to December 31, 2011:	20
Number of requests for Judicial confirmation from January 1, 2011 to December 31, 2011: (Notice filed after deadline- Court reviewing)	1
Number of total Judicial decisions from the beginning to December 31, 2011:	19
Number of requests for Judicial confirmation withdrawn by claimant to December 31, 2011	1
Number of judicial decisions from January 1, 2011 to December 31, 2011:	1

Quebec Fund Counsel has incurred fees of **\$6,147.50** and disbursements of **\$509.86**. There were no costs incurred with respect to expert fees or travel. With taxes, the total amount of fees and disbursements incurred in Quebec is **\$7,515.80**.

(c) **British Columbia**

Particulars of the appeals are as follows:

Number of total appeals received from the beginning to December 31, 2011:	70
Number of appeals received from January 1, 2011 to December 31, 2011:	2
Number of total completed appeals (dec rendered) from the beginning to December 31, 2011:	48
Number of completed appeals (dec rendered) from January 1, 2011 to December 31, 2011:	1
Number of total withdrawals from the beginning to December 31, 2011:	14
Number of withdrawals from January 1, 2011 to December 31, 2011:	0

Number of total rescissions from the beginning to December 31, 2011:	0
Number of rescissions from January 1, 2011 to December 31, 2011:	0
Number of total mediated appeals from the beginning to December 31, 2011:	1
Number of mediated appeals from January 1, 2011 to December 31, 2011:	0
Number of Archived Appeals	3
Number of pending appeals as of December 31, 2011:	4
Number of total request for judicial confirmation from the beginning to December 31, 2011:	19
Number of requests for judicial confirmation from January 1, 2011 to December 31, 2011:	0
Number of total judicial decisions from the beginning to December 31, 2011:	19
Number of judicial decisions from January 1, 2011 to December 31, 2011:	0

B.C. Fund Counsel has incurred fees of **\$29,877.50** and disbursements of **\$939.81**. With respect to disbursements, **\$114.30** related to travel expense. There were no costs incurred with respect to expert fees. With taxes, the total amount of fees and disbursements incurred in B.C. is **\$34,515.38**.

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.

- 8. 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.

Annual Report 2011

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 19 Court appointed Arbitrator/Referees: one in each of Alberta, Saskatchewan, Manitoba, Nova Scotia and Quebec, four in British Columbia, and 7 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 appeals assigned to Arbitrators and Referees has dramatically declined. There were correspondingly fewer decisions rendered by the Arbitrator/Referees.

5. Financial Activity to December 31, 2011

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:	\$26,449.50	\$3,200.00	\$21,450.00
Disbursements:	\$ 1,568.32	\$ 84.86	\$ 4,508.90
Taxes on fees:	\$ 3,588.05	\$ 164.24	\$ 2,285.32
TOTALS	\$ 31,605.87	\$ 3,449.10	\$28,244.22

In the past fiscal year, all cases were approved for payment in accordance with the tariff rate.

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 2012 Budget be set at an amount equal to that actually paid in 2011. Any additional amounts, if required, would be subject to Court approval.