This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your stockbroker, investment dealer, accountant, lawyer or other professional advisor.

PEMBRIDGE INC.

DIRECTORS' CIRCULAR

RELATING TO THE OFFER BY

PEMCO ACQUISITION INC.,

A SUBSIDIARY OF

THE ALLSTATE CORPORATION,

TO PURCHASE ALL OF

THE OUTSTANDING COMMON SHARES OF

PEMBRIDGE INC.

THIS CIRCULAR CONTAINS A RECOMMENDATION BY THE BOARD OF DIRECTORS TO ACCEPT THE OFFER

Notice to U.S. Shareholders

The tender offer referred to in this circular is made for the securities of a foreign issuer and while the offer is subject to disclosure requirements of the country in which the subject issuer is incorporated or organized, investors should be aware that these requirements are different from those of the United States. The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that the issuer is located in a foreign country, and that some or all of its officers and directors are residents of a foreign country.

February 10, 1998

TABLE OF CONTENTS

All currency amounts in this Directors' Circular are expressed in Canadian dollars unless otherwise indicated.

PEMBRIDGE INC.

400-1243 Islington Avenue
Etobicoke, Ontario
M8X 2Y3

DIRECTORS' CIRCULAR

This Directors' Circular is issued by the Board of Directors (the "Directors") of Pembridge Inc. ("Pembridge") in connection with the offer made February 10, 1998 (the "Offer") by Pemco Acquisition Inc. (the "Purchaser"), an indirect wholly-owned subsidiary of The Allstate Corporation ("Allstate"), to purchase for cash all of the outstanding common shares of Pembridge (the "Shares"), including all Shares issued subsequent to the date hereof and prior to the Expiry Time (defined below) pursuant to any existing options to purchase Shares, at a price of $20.00 per Share upon the terms and conditions set forth in the Offer and accompanying circular (the "Offering Circular") of the Purchaser dated February 10, 1998. The Offering Circular provides that the Offer is open for acceptance until 7:00 p.m. (Toronto time) on March 27, 1998 (the "Expiry Time"), unless extended or withdrawn.

RECOMMENDATION OF THE DIRECTORS

The Directors have considered the Offer and reviewed it with Midland Walwyn Capital Inc. ("Midland Walwyn"), their financial advisor. The Directors are of the view that the Offer is fair to the holders of Shares of Pembridge.

THE DIRECTORS UNANIMOUSLY RECOMMEND THAT HOLDERS OF SHARES ACCEPT THE OFFER.

Reasons for Recommendation of the Directors

In reaching its decision to recommend the acceptance of the Offer, the Directors considered a number of factors, including the following:

— information relating to the financial condition, results of operations and business of Pembridge, on both a historical and prospective basis, and current industry, economic and market conditions;

— the historical market prices and recent trading pattern of the Shares, including the fact that the price under the Offer provides a premium of $5.25 per share or approximately 35% over the weighted average trading price of the Shares on The Toronto Stock Exchange (the "TSE") for the 20 trading days immediately preceding the date of the announcement of the Offer;

— the changing competitive environment for non-standard automobile insurance in Canada, where several new competitors are entering the market and profit margins are expected to be brought under increasing pressure;

— the historical market prices, recent trading patterns and financial information relating to other companies engaged in the same business as Pembridge;

— the fact that holders of approximately 25% of the Shares have agreed to tender their shares to the Offer, subject to conditions; and

— the opinion (the "Fairness Opinion") of Midland Walwyn, the financial advisor to the Directors (a copy is attached as an Appendix to this circular).

The Fairness Opinion should be read in its entirety.

Shareholders should consider the Offer carefully and come to their own decision to accept or reject the Offer. Shareholders who are in doubt as to how to respond to the Offer should consult their stockbroker, investment dealer, accountant, lawyer or other professional advisor.

BACKGROUND TO THE OFFER

On December 11, 1997, Michael L. Haskell, President and Chief Executive Officer of Allstate Insurance Company of Canada ("Allstate Canada"), contacted Douglas E. McIntyre, President and Chief Executive Officer of Pembridge, to commence discussions about a possible transaction. Mr. Haskell indicated that Allstate had reviewed the public disclosure documents of Pembridge and would be interested in conducting a more thorough review of Pembridge's operations. At Allstate's request, Mr. McIntyre and John Thompson, Chairman of the Board of Directors of Pembridge, travelled to Chicago on December 19, 1997 to meet with representatives of Allstate.

On December 24, 1997, Pembridge and Allstate executed a confidentiality and standstill agreement dated as of December 19, 1997 (the "Confidentiality Agreement"), pursuant to which Pembridge agreed to provide Allstate with certain financial, operating and other information concerning Pembridge and its affiliates, associates and certain other persons. The Confidentiality Agreement provided that the information provided would be kept confidential by Allstate and would be made available until January 15, 1998. The Confidentiality Agreement required Allstate to provide, by January 15, 1998, a letter either proposing a transaction or declining to pursue a transaction. In addition, Allstate agreed that, if it did not acquire at least a majority of the Shares, for a period of one year, neither Allstate nor its affiliates would acquire any securities of Pembridge, commence a take-over bid for Pembridge, solicit proxies for Pembridge Shares or otherwise seek to influence the management of Pembridge, or induce any other person to do any of the foregoing. Allstate also agreed not to solicit employees of Pembridge or its affiliates for a period of one year.

On December 29, 1997, Pembridge provided Allstate with certain documents previously publicly filed by Pembridge. In view of the delays experienced in gathering the requested information as a result of Christmas holidays, on January 9, 1998, access by Allstate to the confidential information pursuant to the Confidentiality Agreement was extended from January 15, 1998 through to January 22, 1998. Commencing on January 9, 1998, representatives from Allstate and Pembridge met in Toronto to review information relating to Pembridge.

The Directors of Pembridge convened a telephone conference call in which all directors participated, on January 12, 1998. At this meeting, Mr. Thompson and Mr. McIntyre described the background to Allstate's investigation and the discussions held to date with Allstate representatives. From the size of Allstate's investigation team and the scope of information requested, it was apparent that Allstate's interest was to be taken seriously. Other insurance companies had been acquired recently at values approximately three times their book value. The Directors were of the consensus that they would be prepared to entertain an offer from Allstate in an appropriate range. Notwithstanding the Confidentiality Agreement, the Directors felt that Pembridge's most sensitive competitive information should not be provided to Allstate at this stage, given Allstate's previously announced intention to enter the Canadian non-standard auto market. The Directors authorized Mr. Thompson and Mr. McIntyre to continue negotiations with Allstate, and to retain a financial advisor.

On January 19, 1998, Allstate provided an expression of interest in the form of a letter to Mr. McIntyre from James P. Zils, Vice President and Treasurer of Allstate, advising that Allstate was drafting an offer and a form of lock-up agreement, and that Allstate required additional documentation in connection with its due diligence review. Allstate requested an extension of access by Allstate to the confidential information pursuant to the Confidentiality Agreement from January 22, 1998 to January 29, 1998. On January 20, 1998, Mr. Thompson responded on behalf of Pembridge in a letter to Mr. Zils, agreeing only to extend the applicable terms of the Confidentiality Agreement to noon (Toronto time) on January 26, 1998.

Commencing the week of January 19, 1998, Pembridge, certain shareholders of Pembridge, and Allstate negotiated the terms of the tender offer agreement and lock-up agreement described below. Midland Walwyn, Pembridge's financial advisor and author of the Fairness Opinion, participated in these negotiations on behalf of Pembridge. Negotiations continued during the weekend of January 24/25, 1998. On January 26, 1998, the Directors held a meeting by a telephone conference call, in which all directors participated together with their legal and financial advisors, at which they discussed and unanimously authorized the execution of the tender offer agreement and lockup agreement described below, subject to specified parameters. The Directors unanimously agreed that they would recommend that shareholders accept such an offer. The Directors unanimously agreed that they intended to tender their own Shares to such an offer. The tender offer agreement and the lock-up agreement were executed the evening of January 26, 1998. A press release regarding the transaction was issued prior to the commencement of trading on the morning of January 27, 1998. A material change report was issued on February 5, 1998.

The Directors of Pembridge met again on February 6, 1998 by a telephone conference call, in which all directors participated, together with their legal and financial advisors, to discuss the Fairness Opinion with Midland Walwyn and to approve this Directors' Circular.

Tender Offer Agreement

The principal terms and conditions of the tender offer agreement (the "Tender Offer Agreement") executed on January 26, 1998 by Pembridge and Allstate are summarized below.

Pursuant to the Tender Offer Agreement, Allstate agreed to cause one of its affiliates to make an offer to purchase all of the outstanding Shares of Pembridge, including any Shares issued pursuant to currently outstanding stock options, for a price of $20.00 per Share.

Conditions precedent to Allstate making the Offer included shareholders holding at least 4,400,000 Shares entering into a lock-up agreement with Allstate, described below, and Douglas McIntyre entering into an employment agreement with Pembridge. All of these conditions have been satisfied. See "Background to the Offer — Lock-Up Agreement" and "Agreements Between Pembridge and its Directors and Officers".

If a competing transaction is made and (i) the Directors of Pembridge change their recommendation in respect of the Offer in a manner adverse to Allstate, or (ii) before the Offer expires, Pembridge enters into an agreement regarding the competing transaction, or (iii) the person making the competing transaction succeeds in acquiring 30% of the Shares, then Pembridge is obliged to pay to Allstate a "break-up" fee of $10,000,000 within two business days after the date of such event.

Pembridge also agreed not to solicit a competing transaction although Pembridge is entitled to respond to unsolicited inquiries made to Pembridge. Neither Pembridge, its directors, officers or advisors may initiate contact with any third parties for the purposes of soliciting a competing transaction, but are entitled to respond to unsolicited inquiries and engage in discussions and negotiations in connection with such unsolicited inquiries.

Lock-Up Agreement

On January 26, 1998, Allstate and each of John Thompson, Clariden Bank, Douglas E. McIntyre, Paul F. Little, Jacob Gornitzki, George A.J. Fisher, Michael Morrissey, Firemark Global Insurance Fund LP, Frank C. Blunt, Jr., Wentworth Capital Limited, Ernest W. Harrison, W. Ross F. McKee, GTL Investments Corporation, GTL Trading Limited, GTL Securities Inc. and Gornitzki, Thompson & Little Company Limited (the "Vendors") entered into a lock-up agreement (the "Lock-Up Agreement"), the principal terms and conditions of which are summarized below.

Pursuant to the Lock-Up Agreement, Allstate agreed to make or cause the Offer to be made by an affiliate of Allstate and to purchase the Shares owned by the Vendors, being an aggregate of approximately 5,000,000 Shares or approximately 25% of the outstanding Shares on a fully-diluted basis. The Vendors' obligations under the Lock-Up Agreement terminate if, among other things: (i) the Offer is withdrawn without the Purchaser taking up any Shares deposited under the Lock-Up Agreement, (ii) the Offer has expired and the Purchaser has not purchased the Shares deposited by the Vendors, or (iii) the Shares of the Vendors have not been purchased by the Purchaser by May 31, 1998. In addition, any Vendor may terminate his, her or its obligations by five days' notice if an offer for all of the outstanding Shares of Pembridge is received on substantially the same conditions as the Offer for a price that exceeds by at least $1.50 per Share the consideration that a Vendor would receive pursuant to the Offer, provided that the Purchaser shall have the right to match the competing offer within the five day period, in which case the Vendor shall cease to be entitled to terminate any obligations.

Financial Advisor

On January 23, 1998, Midland Walwyn was engaged to be exclusive financial advisor to the Directors of Pembridge and, in such capacity, to provide (i) an opinion as to the fairness of the Offer from a financial point of view to the Shareholders of Pembridge, other than Allstate, its associates and affiliates and the Vendors, and (ii) advice in connection with any competing transaction. Midland Walwyn is familiar with Pembridge, having been the lead underwriter on three public offerings for Pembridge. For its services provided in connection with the Offer and the Fairness Opinion, Midland Walwyn will receive a fee. The fee is not in any way contingent upon the result of the Fairness Opinion.

Pembridge has agreed to indemnify Midland Walwyn against certain liabilities, and reimburse Midland Walwyn for reasonable expenses.

NO CURRENT NEGOTIATIONS

Except as disclosed above or elsewhere in this Directors' Circular, Pembridge is not aware of any negotiation that is currently being undertaken by Pembridge or is under way in response to the Offer that relates to or would result in:

(a) an extraordinary transaction such as a merger or reorganization involving Pembridge or any subsidiary of Pembridge;

(b) a purchase, sale or transfer of a material amount of assets by Pembridge or any subsidiary of Pembridge;

(c) an issuer bid or tender offer for or other acquisition of securities by Pembridge; or

(d) any material change in the present capitalization or dividend policy of Pembridge.

DIRECTORS OF PEMBRIDGE

The members of the Board of Directors of Pembridge are Frank C. Blunt, Jr., George A.J. Fisher, Jacob Gornitzki, Ernest W. Harrison, Paul F. Little, Douglas E. McIntyre, W. Ross F. McKee, Michael J. Morrissey and John Thompson.

OWNERSHIP OF SHARES OF PEMBRIDGE BY DIRECTORS AND OFFICERS

The following table sets forth the number and percentage of Shares of Pembridge (including Shares issuable upon exercise of stock options) owned, or over which control or direction is exercised, by each director and senior officer of Pembridge and by each associate thereof. The number of Shares owned by the following directors and senior officers and their associates aggregates 5,025,056 Shares, representing approximately 25.43% of the outstanding Shares on a fully diluted basis. No securities of Pembridge are owned, directly or indirectly, or controlled by any person acting jointly or in concert with Allstate.

Name	Position with Pembridge	Number of Shares Owned or Over Which Control or Direction is Exercised	Percentage of Shares Owned or Over Which Control or Direction is Exercised
John Thompson(1)(2)	Chairman, Secretary and Director	871,541	4.41%
Douglas E. McIntyre(1)(3)	President, Chief Executive Officer and Director	610,151	3.09%
Paul F. Little(1)(2)	Chief Financial Officer and Director	970,098	4.91%
Frank C. Blunt, Jr.(1)	Director	87,000	0.44%
George A.J. Fisher(1)(4)	Director	255,591	1.29%
Jacob Gornitzki(1)(2)	Director	963,410	4.88%
Ernest W. Harrison(1)	Director	12,000	0.06%
W. Ross F. McKee(1)	Director	20,000	0.10%
Michael J. Morrissey(1)	Director	901,471	4.56%
John Emo(5)	Vice President, Automobile	234,750	1.19%
Joseph English(6)	Vice President and General Manager	31,798	0.16%
George Kalopsis	Vice President, Claims	16,555	0.08%
William Lowe	Vice President, Property and Casualty	13,819	0.07%
Joseph R. Robertson	Treasurer	36,870	0.19%

Notes:

(1) Each of these persons is a party to the Lock-Up Agreement. See "Background to the Offer — Lock-Up Agreement".

(2) Jacob Gornitzki, Paul F. Little and John Thompson each own one-third of, and accordingly are associates of, the following companies which own the following Pembridge Shares:

Gornitzki, Thompson & Little Company Limited .... 7,054 Shares
GTL Investments Corporation .... 871,264 Shares
GTL Properties Limited .... 25,000 Shares

GTL Securities Inc. .... 34,200 Shares
GTL Trading Limited .... 199,736 Shares

One-third of the Shareholding of each of these corporations has been attributed to each of Jacob Gornitzki, Paul F. Little and John Thompson in this table.

(3) Douglas E. McIntyre is a beneficiary of the McIntyre Family Trust which is the registered holder of 393,891 Shares. Sandra G. McIntyre, the spouse of Douglas E. McIntyre, is the beneficial owner of 110,791 Shares, which are included in this table.

(4) Margaret F. Fisher, the spouse of George Fisher, is the beneficial owner of 8,381 Shares, which are included in this table.

(5) Wendy D. Emo, the spouse of John Emo, is the beneficial owner of 12,208 Shares, which are included in this table.

(6) Diane English, the spouse of Joseph English, is the beneficial owner of 3,874 Shares, which are included in this table.

PRINCIPAL HOLDERS OF SHARES OF PEMBRIDGE

To the knowledge of the Directors, after reasonable inquiry, no person or company beneficially owns or exercises control or direction over or holds more than 10% of the Shares on an undiluted basis, other than two portfolio managers who have filed reports stating that they exercised control or direction over Shares as set forth below, but who have disclaimed beneficial ownership of such Shares and stated such Shares were held for client accounts:

Report Date	Name and Address	Number of Shares Owned or Over Which Control or Direction is Exercised	Percentage of Outstanding Shares
May 9, 1997	I.G. Investment Management, Ltd. Winnipeg, Manitoba	2,933,700	14.8%
January 9, 1998	Knight, Bain, Seath & Holbrook Capital Management Inc. Toronto, Ontario	3,672,400	18.6%

The Directors have no knowledge as to whether these portfolio managers have changed their holdings of Shares since the date of their respective reports.

ACCEPTANCE OF OFFER

The members of the Board of Directors and certain of their associates have agreed to deposit, in the aggregate, approximately 5,000,000 Shares owned by them or over which they exercise control or direction under the Offer. See “Background to the Offer — Lock-Up Agreement”.

In addition, to the knowledge of the Directors, each of the other directors and senior officers of Pembridge and their respective associates who own Shares intend to deposit under the Offer all Shares owned by such person, other than 8,381 Shares intended to be sold in the open market prior to the Offer’s expiry by Mrs. Margaret F. Fisher, the spouse of George Fisher, and, to the knowledge of the Directors, each director and senior officer who holds options to purchase Shares intends to exercise all options held by such person to acquire Shares and thereafter deposit to the Offer all Shares so owned.

TRADING IN SHARES OF PEMBRIDGE

During the six months preceding the date of this Directors' Circular, none of Pembridge or the directors or senior officers of Pembridge nor, to the knowledge of the directors or senior officers, after reasonable inquiry, any associate of a director or senior officer of Pembridge, any person or company holding more than 10% of the Shares or any person or company acting jointly or in concert with Pembridge has traded any securities of Pembridge, except for automatic monthly purchases of Pembridge Shares in the open market through regular payroll deductions on behalf of certain senior officers of Pembridge pursuant to Pembridge's Employee Share Purchase Plan and except for the following trades:

Name	Date	Description of Trade	Number of Shares	Price per Share
Douglas E. McIntyre	June 25, 1997	Sale	9,600	$12.00
	September 12, 1997	Sale	85,000	$13.00
Sandra G. McIntyre(1)	October 9, 1997	Sale	2,000	$16.25
GTL Trading Ltd.(2)	October 2, 1997	Sale	15,000	$15.82
John Emo	September 26, 1997	Sale	10,000	$15.85
Wendy D. Emo(3)	July 31, 1997	Sale	600	$13.75
	September 12, 1997	Sale	4,400	$13.00
	September 19, 1997	Sale	5,000	$15.50
	September 22, 1997	Sale	5,000	$15.05
	September 23, 1997	Sale	5,000	$15.25
	September 25, 1997	Sale	5,000	$15.50
	September 26, 1997	Sale	5,000	$15.85
Joseph English	September 30, 1997	Sale	10,000	$15.80
George Kalopsis	September 18, 1997	Sale	10,000	$15.25
	October 1, 1997	Sale	10,000	$16.00
	January 18, 1998	Sale	3,500	$15.00
	January 19, 1998	Sale	1,000	$15.00
Joseph R. Robertson	September 30, 1997	Sale	46,077	$15.85
Diane Robertson(4)	September 30, 1997	Sale	3,923	$15.85

Notes:

(1) Spouse of Douglas E. McIntyre.

(2) An associate of Jacob Gornitzki, Paul F. Little and John Thompson.

(3) Spouse of John Emo.

(4) Spouse of Joseph R. Robertson.

During the two-year period preceding the date of this Directors' Circular, Pembridge did not issue any Shares or any securities convertible into Shares to its directors or senior officers, except as follows:

Name	Date	Options Granted	Shares Issued	Price per Share
John Emo	February 28, 1997		3,500	$ 3.55(1)
Ernest W. Harrison	April 27, 1997		8,000	$ 3.55(1)
George Kalopsis	February 28, 1997		7,000	$ 3.55(1)
	January 30, 1998		3,500	$ 3.55(1)
William Lowe	November 15, 1996		3,500	$ 3.55(1)
	March 31, 1997		3,500	$ 3.55(1)
Douglas E. McIntyre	January 1, 1997	55,000		$11.70

Note:

(1) Exercise of previously granted option.

OWNERSHIP OF SECURITIES OF ALLSTATE

None of Pembridge, the directors or officers of Pembridge, any associates of the directors or officers of Pembridge or, to the knowledge of the directors or officers of Pembridge, after reasonable inquiry, any person or company beneficially owning, exercising control or direction over or holding more than 10% of any Shares of Pembridge or any person or company acting jointly or in concert with Pembridge, owns or exercises control or direction over any securities of Allstate or the Purchaser.

AGREEMENTS BETWEEN PEMBRIDGE AND ITS DIRECTORS AND OFFICERS

Except as described below, there are no arrangements or agreements made or currently proposed to be made between Pembridge and any of the directors or senior officers of Pembridge, including arrangements or agreements with respect to compensation for loss of office or as to their remaining in or retiring from office if the Offer is successful.

It is a condition of the Offer that Douglas E. McIntyre, the President and Chief Executive Officer of Pembridge, enter into an employment agreement with Pembridge on terms acceptable to Allstate, acting reasonably. The employment agreement dated February 9, 1998 (the "Employment Agreement") between Mr. McIntyre and Pembridge provides that Mr. McIntyre shall be the President and Chief Executive Officer of Pembridge and its subsidiary, Pafco Insurance Company, and a Vice President of Allstate Canada. The term of the Employment Agreement runs from the closing of the sale of Shares under the Offer to two years from such closing and thereafter from year to year.

The Employment Agreement may be terminated by Pembridge for just cause or by payment of compensation in lieu of notice equal to 24 months' pay. During these 24 months, Pembridge shall continue to pay all benefits to which Mr. McIntyre is then entitled (excluding long term disability and travel insurance benefits) (the "Continued Benefits").

The Employment Agreement may be terminated by Mr. McIntyre for just cause or, at the end of the first year or at any other time thereafter, upon one year's prior written notice, and in either of which case Pembridge shall pay an amount equal to 24 months' pay and the Continued Benefits during such 24 months. Mr. McIntyre may also terminate the Employment Agreement at any other time after the initial two-year term of the Employment Agreement on 30 days' prior written notice.

The salary payable to Mr. McIntyre will be $272,000 per annum, reviewable annually. Mr. McIntyre will receive an annual expense allowance consistent with the allowance provided to senior Allstate executives (currently $4,400), may elect to participate in any benefit plans available to senior executive officers of Pembridge from time to time and, during the initial two years of the Employment Agreement, will be reimbursed up to $2,500 per annum for a term life insurance policy in the amount of $500,000.

Subject to the terms of the Employment Agreement, Mr. McIntyre agrees not to disclose or use at any time confidential information in respect of Allstate, Pembridge or any of their respective affiliates or, for a period of two years from the date of termination of his employment with Pembridge, compete with Pembridge, or its parent companies or affiliates, in Canada or solicit employees of Pembridge, Allstate or any of their respective affiliates.

Allstate has confirmed in a letter dated February 9, 1998 that it will cause Pembridge to comply with all terms and conditions of the Employment Agreement.

RELATIONSHIP BETWEEN ALLSTATE AND THE DIRECTORS AND SENIOR OFFICERS OF PEMBRIDGE

None of the directors or senior officers of Pembridge are directors or senior officers of Allstate or any subsidiary of Allstate, including the Purchaser. Except for the letter of Allstate and the Employment Agreement described under "Agreements between Pembridge and its Directors and Officers" with respect to Douglas E. McIntyre's continued employment with Pembridge and his future employment with Allstate Canada, there are no arrangements or agreements made or currently proposed to be made between Allstate or the Purchaser and any of the directors or senior officers of Pembridge, including arrangements or agreements with respect to compensation for loss of office or as to their remaining in or retiring from office if the Offer is consummated.

INTERESTS OF DIRECTORS AND SENIOR OFFICERS OF PEMBRIDGE IN MATERIAL CONTRACTS OF ALLSTATE

Other than the Tender Offer Agreement and the Lock-Up Agreement described under "Background to the Offer", no director or senior officer of Pembridge or their associates or, to the knowledge of any such director or officer, after reasonable inquiry, any person or company owning more than 10% of the Shares, has any interest in any material contract to which Allstate or any of its subsidiaries, including the Purchaser, is a party.

MATERIAL CHANGES IN THE AFFAIRS OF PEMBRIDGE

Except for the Offer and for the issue of 2,000,000 Shares for $16.25 per Share under a short form prospectus of Pembridge dated October 22, 1997, none of the directors or senior officers of Pembridge is aware of any information that indicates any material change in the affairs of Pembridge since the date of the last available published financial statements of Pembridge, being the financial statements for the nine month period ended September 30, 1997, or that any information contained in such financial statements is materially misleading because of events subsequent to their publication or any other information that would reasonably be expected to affect the decision of Shareholders of Pembridge to accept or reject the Offer.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides holders of the Shares with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to the holders of the Shares. However, such rights must be exercised within prescribed time limits. Holders of the Shares should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

APPROVAL OF THE DIRECTORS' CIRCULAR

The contents of this Directors' Circular have been approved, and the sending, communication or delivery of this Directors' Circular to the shareholders of Pembridge has been authorized, by the Board of Directors of Pembridge.

CONSENT OF FINANCIAL ADVISOR

To: The Board of Directors of Pembridge Inc.

We hereby consent to the discussion of and to all references to our Fairness Opinion dated February 10, 1998 in the Directors' Circular of Pembridge Inc. dated February 10, 1998 and we consent to the inclusion of such Fairness Opinion as an appendix to that Directors' Circular.

Toronto, Ontario
February 10, 1998

(Signed) MIDLAND WALWYN CAPITAL INC.

CERTIFICATE

Dated: February 10, 1998

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. The foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities subject to the Offer within the meaning of the *Securities Act* (Quebec).

On behalf of the Board of Directors

(Signed) JOHN THOMPSON
Director

(Signed) DOUGLAS E. MCINTYRE
Director

APPENDIX

FAIRNESS OPINION

MIDLAND WALWYN CAPITAL INC.

MIDLAND WALWYN
BLUE CHIP THINKING™

Midland Walwyn Capital Inc.
181 Bay Street, Suite 400
Toronto, Ontario
Canada M5J 2V8
Tel (416) 369-7400

February 10, 1998

The Board of Directors
Pembridge Inc.
1243 Islington Avenue, Suite 400
Toronto, Ontario M8X 2Y3

Dear Sirs:

Re: Fairness Opinion

Midland Walwyn Capital Inc. ("Midland Walwyn") understands that Pemco Acquisition Inc. (the "Offeror"), an indirect subsidiary of The Allstate Corporation ("Allstate") has made an offer (the "Offer") pursuant to a take-over bid circular dated February 10, 1998 (the "Take-Over Bid Circular") to acquire all of the outstanding common shares (the "Common Shares") of Pembridge Inc. (Pembridge") on the basis of $20.00 cash for each Common Share tendered to the Offer. The terms and conditions of the Offer are contained in the Take-Over Bid Circular to be mailed to all holders of Common Shares. We understand that certain of Pembridge's shareholders have entered into a lock-up agreement (the "Lock-up Agreement") with Allstate agreeing to tender their Common Shares into the Offer. We also understand that Pembridge has entered into an agreement (the "Tender Offer Agreement"), dated January 26, 1998, with Allstate whereby it has agreed, among other things, to provide a circular (the "Directors' Circular") dated February 10, 1998 supporting the Offer and recommending that Pembridge shareholders accept the Offer. Terms used in this letter have the same meaning as in the Take-Over Bid Circular and Directors' Circular.

Engagement of Midland Walwyn

The Board of Directors of Pembridge (the "Board") has requested that Midland Walwyn provide its opinion (the "Fairness Opinion") as to the fairness of the Offer, from a financial point of view, to the shareholders of Pembridge, other than Allstate and its associates and affiliates and those Pembridge shareholders who have entered into the Lock-up Agreement (the "Public Shareholders"). Midland Walwyn has not been engaged to prepare, and has not prepared, a valuation of Allstate, the Offeror or Pembridge, and the Fairness Opinion should not be construed as such.

Pembridge has agreed to indemnify Midland Walwyn, subject to certain exceptions, against certain expenses, losses, claims, actions, damages and liabilities arising out of the engagement of Midland Walwyn by Pembridge. Fees payable to Midland Walwyn are not contingent in whole or in part on the success of the Offer and Midland Walwyn has no financial interest in Allstate, the Offeror or Pembridge that may be affected by the success of the Offer.

In connection with the preparation of the Fairness Opinion, we have not been authorized by Pembridge or the Board to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of Pembridge or for a merger, amalgamation, asset purchase or other business combination with Pembridge.

CIPF
FCPE

Credentials of Midland Walwyn

Midland Walwyn is Canada's largest independent investment banking firm providing full-service brokerage, investment banking, research, trading and financial advisory services to corporations, governments, institutions and individuals. Midland Walwyn has been involved in a significant number of transactions involving fairness opinions of publicly traded Canadian companies.

The opinion expressed herein is the opinion of Midland Walwyn as an entity. The form and content hereof has been approved by a committee of Midland Walwyn directors and professionals, each of whom is experienced in providing fairness opinions.

SCOPE OF REVIEW

In preparing the Fairness Opinion, Midland Walwyn reviewed and relied upon (without attempting to verify independently the completeness or accuracy of), among other things, the following:

(i) the Take-Over Bid Circular;

(ii) the Directors' Circular;

(iii) the Tender Offer Agreement;

(iv) the Lock-up Agreement;

(v) certain publicly available information regarding Pembridge including the annual report to shareholders and proxy circular for each of the two fiscal years ended December 31, 1995 and December 31, 1996, and the quarterly reports to shareholders for the three, six and nine months ended March 31, 1997, June 30, 1997 and September 30, 1997 respectively;

(vi) consolidated audited financial statements regarding Pembridge for each of the two fiscal years ended December 31, 1995 and December 31, 1996, and consolidated unaudited financial statements regarding Pembridge for the three, six and nine months ended March 31, 1997, June 30, 1997 and September 30, 1997 respectively;

(vii) Annual Information Forms for each of the two fiscal years ending December 31, 1995 and December 31, 1996;

(viii) the prospectus of Pembridge dated October 22, 1997;

(ix) the prospectus of Pembridge dated June 9, 1997;

(x) the prospectus of Pembridge dated November 27, 1995;

(xi) financial projections prepared by management of Pembridge for the fiscal year ending December 31, 1998;

(xii) discussions with senior management of Pembridge concerning its business, operations and future prospects;

(xiii) actuarial report of J. S. Cheng & Partners Inc. for the fiscal year ended December 31, 1996;

(xiv) summary of the investment portfolio as at December 31, 1997;

(xv) the credit facility between Pembridge and the Royal Bank of Canada;

(xvi) tax returns for Pembridge for each of the three fiscal years ended December 31, 1996;

(xvii) relevant stock market trading data regarding Pembridge;

(xviii) discussion with the auditors of Pembridge;

(xix) discussion with J. S. Cheng & Partners Inc.;

(xx) data with respect to the business, operations, financial performance and stock market data of selected comparable public companies we considered relevant;

(xxi) data with respect to transactions of a comparable nature we considered relevant;

(xxii) industry research reports; and

(xxiii) such other financial, market and industry information, investigations and analysis as we considered necessary or appropriate in the circumstances.

Assumptions and Limitations

Midland Walwyn has relied upon and assumed the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources or from Pembridge or its advisors. The Fairness Opinion assumes such completeness, accuracy and fair presentation. Midland Walwyn has not attempted to verify independently the completeness, accuracy or fair presentation of any of such information, data, advice, opinions and representations.

Senior officers of Pembridge have represented to Midland Walwyn that, since the date of delivery of any information to Midland Walwyn, there has been no material change or material fact relating to any of the information provided to Midland Walwyn by or on behalf of Pembridge that has not been disclosed to Midland Walwyn and which would reasonably be expected to have a material effect on the Fairness Opinion, and that Pembridge is not aware of any facts not disclosed to Midland Walwyn which would reasonably be expected to affect materially the Fairness Opinion.

The Fairness Opinion is rendered as at the date hereof and on the basis of securities market, economic and general business and financial conditions prevailing as at the date hereof and the condition and prospects, financial or otherwise, of Allstate and Pembridge as they were reflected in the information and documents reviewed by Midland Walwyn and as they were represented to Midland Walwyn in its discussions with the management of Pembridge.

In its analyses in connection with the preparation of the Fairness Opinion, Midland Walwyn made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of any party involved in the Offer. Although Midland Walwyn believes that the assumptions used herein are appropriate in the circumstances, some or all of them may nevertheless prove to be incorrect.

This Fairness Opinion is for the use and benefit of the Board. It does not address the merits of the underlying decision by Pembridge to enter into the Tender Offer Agreement, and does not constitute a recommendation to any shareholder as to whether such shareholder should tender its Common Shares to the Offer.

Conclusion

Based upon and subject to the foregoing, it is our opinion that the Offer is fair from a financial point of view, to the Public Shareholders.

Yours very truly,

(Signed) MIDLAND WALWYN CAPITAL INC.