

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
("CLLAS")**

Minutes of a Meeting of the Advisory Board

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, September 13, 2011

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Glenn Leslie	Blake Cassels & Graydon LLP
Sue Grundy	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Chris Woodbury	Fraser Milner Casgrain LLP
John Esvelt	Fraser Milner Casgrain LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Eugene Cipparone	Goodmans LLP
Bill Scott	McCarthy Tetrault LLP
Daniel MacDonald	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager
Norma Ibbetson	Office of the General Manager
Joe Tontini	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the June 21, 2011 Meeting of the Advisory Board

It was moved by Dan MacDonald and seconded by Donald Milner that subject to correction of typos on pages 2 and 4 the minutes of the June 21, 2011 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. **Comments of the Chair**

Mr. Leblovic reported that the CRA is in the process of auditing two of the CLLAS firms. The Chair clarified the ongoing retainer of Mr. Steve Ruby to continue to provide advice to CLLAS.

5. **Presentation by Matthew Davies of Chubb re Cyber Coverage**

Mr. Matthew Davies joined the meeting to give a presentation on “Cyber Coverage Insurance”.

Mr. Davies is an underwriter from Chubb, which participates on the commercial excess program. Mr. Davies confirmed Chubb’s willingness to work with CLLAS if there is interest in arranging cyber coverage on a group purchase. In any event, he said that firms should expect to receive a quote from Pro Form as an indication of the premium, subject to underwriting on an individual firm basis.

Mr. Davies left the meeting.

Mr. Bresner suggested that further analysis would be helpful before he could provide a recommendation to his management board. For example, he would like to know the extent of the current coverage, how the cyber coverage differs from this, etc. This analysis could be done by the Policy Committee or Pro Form.

6. **Report of the Risk Management Committee**

John Walker joined the meeting.

Bill Scott reported on the activities of the Committee since the last meeting.

Benchmarking Exercise – Mr. Walker, working with Ryan Durrell and Patrick Mahoney, looked at the correlation between claims reported and risk management issues identified during the audits. A report has been prepared and presented to the Risk Management Committee and this led to additional questions and analysis. A report will be presented to the Board at the December Advisory Board meeting.

Bluedrop – Mr. Walker reported that work continues on obtaining CPD accreditation from LSUC for the on-line program. Current LSUC rules require such courses to be taken in a group seminar-type basis.

He also advised that some firms are customizing the program and that the French version of the program is almost complete.

It was moved by Chris Woodbury and seconded by Donald Milner that the additional expense for Bluedrop to amend the current course material to reflect the change in the accounting principles applicable to law firms from GAAP to IFRS be approved. The cost is quoted as \$2,000 plus HST. The motion was carried unanimously.

Re-audit Proposal – Mr. Walker presented his proposal for the second round of firm audits. The proposal includes a pared down questionnaire format, as well as interviews of the firm management teams. The timeline contemplates three to four firm audits per year so the cycle would be completed in about three years. The process would culminate with an updated Benchmarking Analysis and a report to the Board. Costs per firm are estimated as:

\$8,500 - \$10,000 for main office

\$3,500 - \$5,000 for each included branch office, plus disbursements including travel and HST

It was suggested that the 50% reimbursement by CLLAS be continued as it promotes and facilitates firm participation.

It was moved by Les O'Connor and seconded by Gord Goodman that the re-audit process and budget proposed by the Risk Management Committee be approved and that the 50% cost reimbursement by CLLAS be continued. The motion was carried unanimously.

Mr. Walker left the meeting.

5. Report of the General Manager's Office

Management Report at June 30, 2011

Mr. Mahoney reviewed the Financial Statements with the Board. The presentation is slightly different in order to comply with the IFRS requirements.

Of note on the Balance Sheet is that the "other receivable" item of \$3.5 million includes \$1.8 million re costs/interests on the ACE arbitration as well as the anticipated refund from Ontario on the premium tax issue. Mr. Mahoney reported that the adjustment had been made for the most recent year (i.e. 2010), in the amount of \$330,000, but prior years remain under consideration by the Ministry of Revenue.

The "reinsurance recoverable" item of \$2.2 million largely represents funds to be collected on the claim that was the subject of the reinsurance arbitration. As of the date of the meeting, Mr. Mahoney reported that the bulk of these funds have been collected but that one open issue remained, as a single reinsurer on the 10x25 layer was still questioning issues. That reinsurer has made partial payment but an amount is still outstanding pending further discussion.

The "provision for unpaid claims/adjustment expenses" the swing commission amount has been fully paid after June 30th and so this amount will be reduced to zero on future financial statements.

Of note on the Income Statement is that the Net Gain includes interest on monies recovered under the reinsurance arbitration.

Mr. Mahoney reviewed the "Budget Variance Analysis" and pointed out that the Professional Services budget will finish the year well over budget due to the reinsurance restructuring. The "Other Expenses" line reflects the recovery of costs on the reinsurance arbitration, in the "Special Services" line. The "Risk Management" line includes Bluedrop development costs and the benchmarking analysis exercise.

There will be additional costs incurred under Management Services regarding claims management as a result of the new reinsurance structure implemented July 1, 2011 and the resulting heightened level of reporting to reinsurers. These costs will be documented as part of the 2012 budget exercise.

Reinsurance Placement/Reinsurance Security Report Update

The Reinsurance Security Report will be dealt with by the Audit Committee and reported on at the December Board meeting.

Joe Tontini reviewed with the Board the final placement terms and market share achieved with the July 1, 2011 reinsurance renewal as authorized by the Board at the June meeting. His memorandum of August 26, 2011 was included with the Board meeting materials. In summary:

- Six non-renewing reinsurers were replaced with five new markets.
- The structure includes a rate reduction due to the new structure and a hybrid rate for three incumbents under the Colchester retrocession and stop-loss.
- CLLAS' retained exposure is now stretched over the entire \$49m XS of \$1m limit.
- Net Rates are \$4,271.00 vs. \$6,367.00 for the previous year. This includes an additional \$20m in limits.
- Overall, CLLAS experienced an annual saving of \$5,344,540 over the previous year.
- CLLAS appears to be well positioned for next year's renewal.

Mr. Tontini advised that a copy of the presentation would be posted on the website.

Membership in Canadian Association of Insurance Reciprocal (CAIR)

CAIR is an advocacy group formed by five reciprocals to serve, among other things, as a focal point for reciprocals in their interactions with relators. The annual membership is \$2,000. Participation in the meetings is intended to be limited to CEO's and Board chairs. The General Manager will make an enquiry if CLLAS can attend as a non-member (observer status) and the decision to join will be deferred to the December 2011 meeting.

8. Report of the Claims Committee

Barry Bresner reported to the Board. In particular, there are a number of several class action suits moving through the certification process.

9. Report of the Policy Committee

Donald Milner reported that there are no new issues.

10. Report of the Investment Manager at June 30, 2011

This is an information item only.

11. Other Business

There has been some interest in the e-learning program by firms outside of CLLAS. The Board considered whether there was any interest in licensing the e-learning program to other law firms to recover some of the capital that has been invested. The Board asked the Chair to investigate the associated costs.

12. Next Meeting

The next regularly scheduled meeting of the Board will be on December 13, 2011.

There being no further business, the meeting was terminated.

Chairman

Secretary

To Be Posted

PRIVILEGED AND CONFIDENTIAL

**REPORT ON
THE PROFESSIONAL LIABILITY RISK MANAGEMENT
BENCHMARKING ANALYSIS
OF
CLLAS FIRMS**

WALKER SORENSEN LLP
BARRISTERS & SOLICITORS

Date: December 13, 2011

PROFESSIONAL LIABILITY RISK MANAGEMENT

BENCHMARKING ANALYSIS OF CLLAS FIRMS

1. Purpose

The CLLAS Risk Management Committee (the "Committee") asked us to analyze the data collected during the professional liability risk management audits of the CLLAS firms and to determine the relative rank of each CLLAS firm's risk management program.

The Committee also asked us to work with Dion, Durrell + Associates Inc. ("DDA") to analyze whether there is any correlation between good professional liability risk management and lower professional liability claims costs.

2. Benchmarking of CLLAS Firms

(a) Methodology

To develop the relative rank of each CLLAS firm's professional liability risk management program, we compared the answers to over 350 questions asked during the audit process (including the "Person-on-the-Street" interviews). Each question was assigned a subjective weighting, with important questions given a higher weighting than less important questions. Each firm's aggregate score was then expressed as a percentage score out of 100. Compliance (measured by the Person on the Street Interviews) and Risk Management Structure each comprise approximately 15% of the score, and Conflicts of Interest, Practice Supervision, Educational Programs, Client Intake and Firm Management Structure each comprise approximately 10% of the score. These risk management areas comprise approximately 80% of the score as they are, in our view, the most important risk management areas. In addition, separate scores were determined for each risk management area, so that firms can see how they compare to the other CLLAS firms.

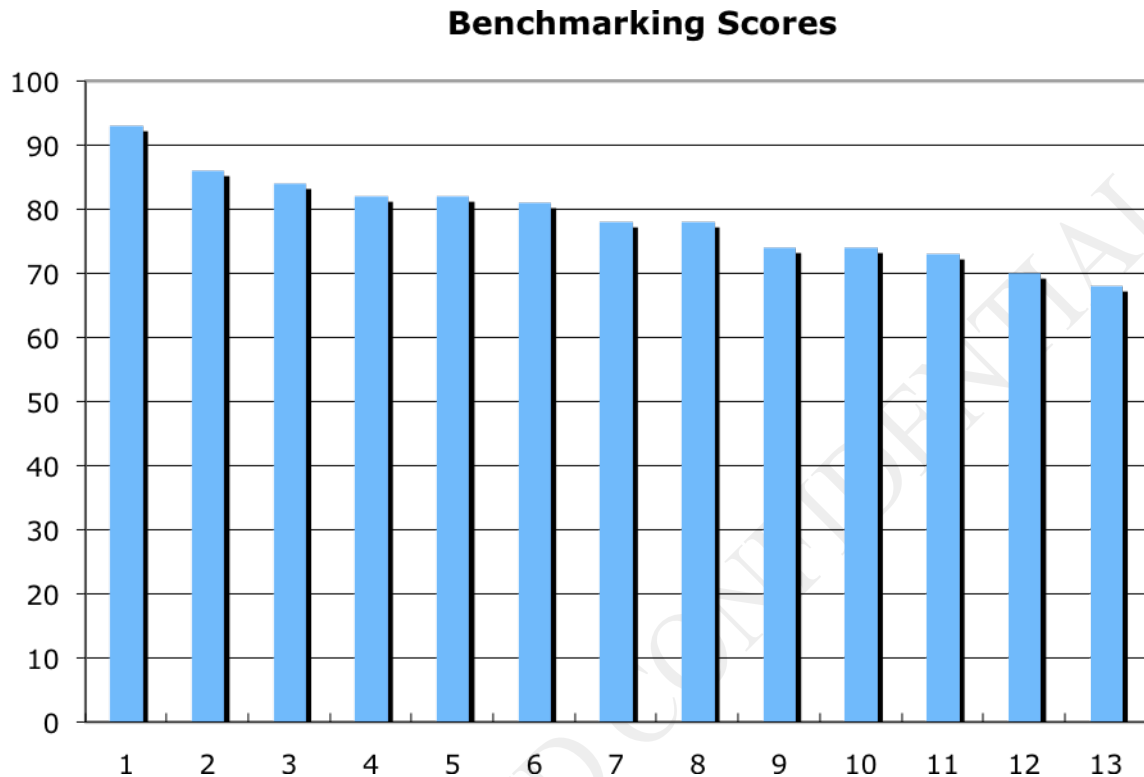
(b) Caveats

A number of important caveats apply:

- there is an unavoidable element of subjectivity to the scoring system; however, we have tried to apply the scoring system consistently to all firms, with the following exception: more weight was given to unwritten policies or procedures in the case of smaller firms on the basis that such firms could rely more on their firm cultures to control risk
- during the four years it took to do the audits, a number of firms have made significant improvements in their risk management programs – accordingly, if they were audited today their scores might be higher (the last three firms audited had previously been audited, and their scores reflected this).

(c) Results

The following chart sets forth the benchmarking scores for the CLLAS firms.



The overall average score was 79. The lowest score was 68 and the highest score was 92. We are aware that a number of firms have taken significant steps to improve their risk management since the audits. As a result, we would expect that, if the firms were re-audited today, the gap between the highest and lowest scores would be narrower and the overall average would be higher. Firm size does not appear to have been a factor. The average score for the six largest firms was 78 versus 79 for the remaining seven firms. As noted above, there is evidence that the CLLAS firms were improving their risk management programs during the audit period from 2006 to 2010.

We have also prepared the charts attached as Schedule A that set forth the benchmarking scores for each different risk area (e.g. Client Intake; Conflicts, Practice Supervision), to help the firms identify areas of weakness.

3. Risk Management's Effects on Errors and Omissions Claim Costs

The report prepared by DDA with respect to the correlation between good professional liability risk management and lower professional liability claims costs is attached as Schedule B.

As you will see from the chart in the DDA report that shows claims frequency, the top six ranked firms in the Benchmarking Analysis, along with the 12th ranked firm, have experienced lower claims frequency. When we look at the charts in Schedule B, we can see that there are three risk management areas which the top six ranked firms scored significantly better than the remaining seven firms - Practice Supervision, Educational Programs and Compliance (as measured by the "Person on the Street" Interviews). One might tentatively conclude, therefore, that good Practice Supervision and Educational Programs, which in turn may be expected to result in a higher level of Compliance, are the most important ways to reduce claims frequency.

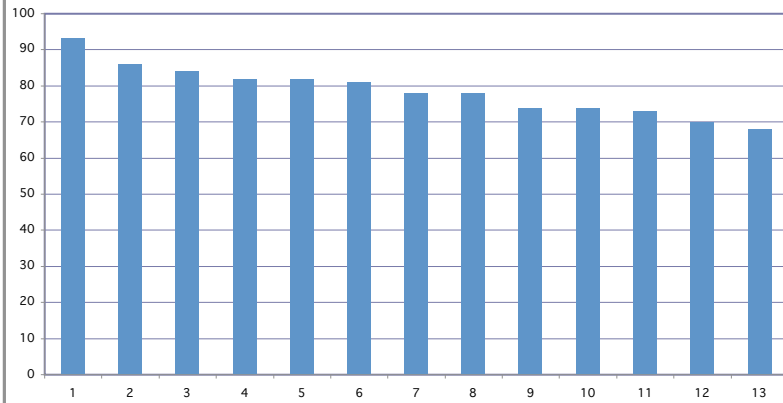
4. Proposed Form of Report to Individual Firms

Attached as Schedule C is a sample of the package of information that we would propose to provide to each CLLAS firm. We would propose to deliver these packages personally to each firm and to discuss the results with their senior management.

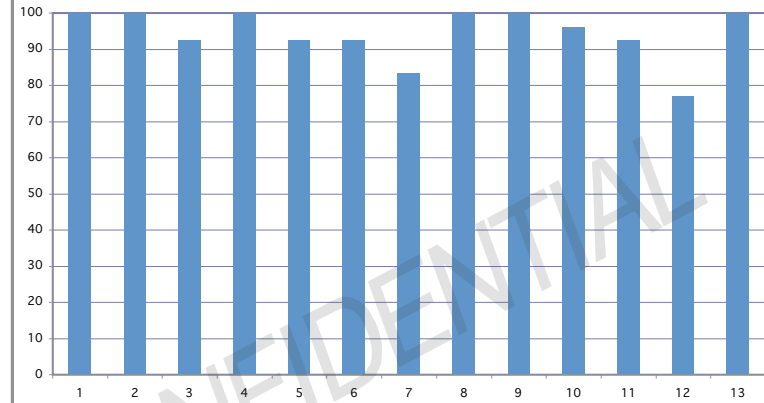
groups:documents:cllas:plrm:benchmarking:report re benchmarking-v2.doc

SCHEDULE A

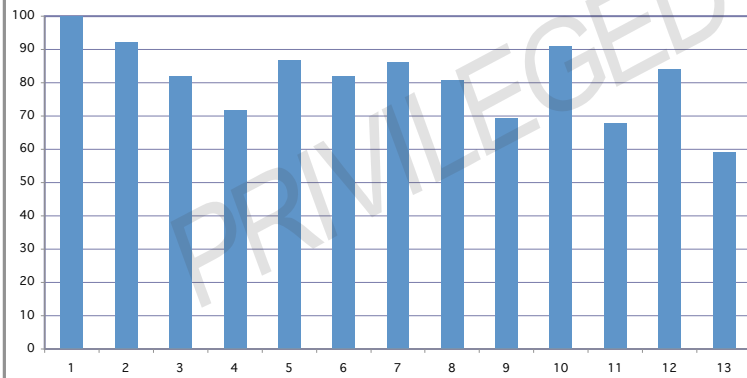
Benchmarking Scores



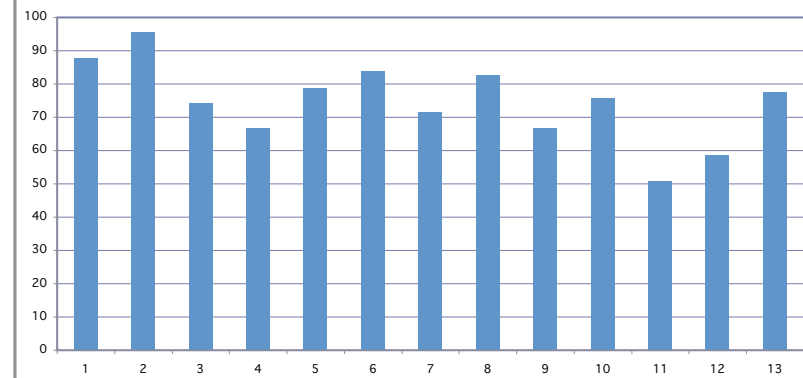
Firm Management Structure

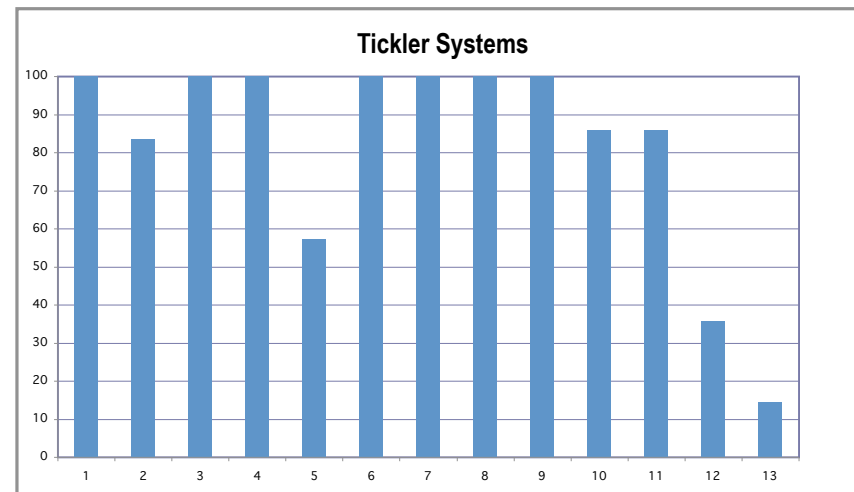
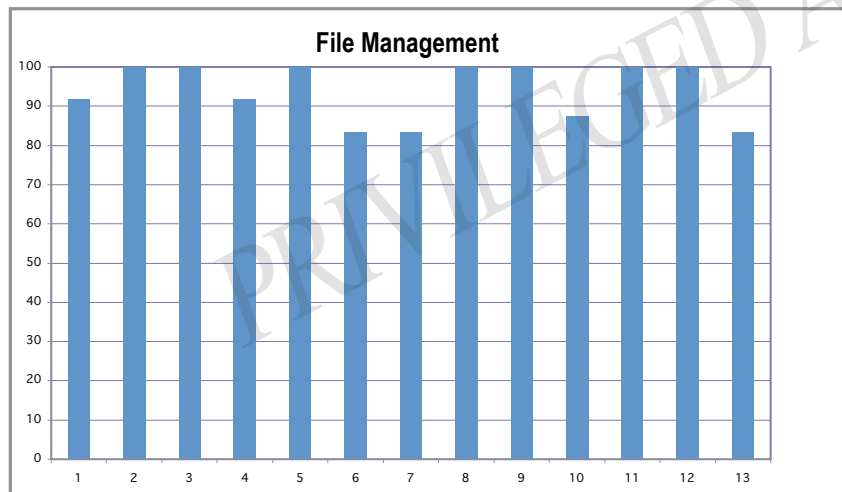
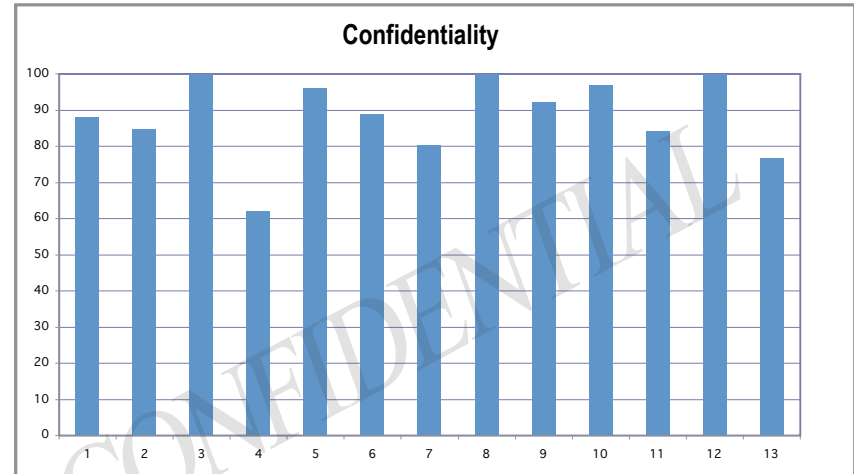
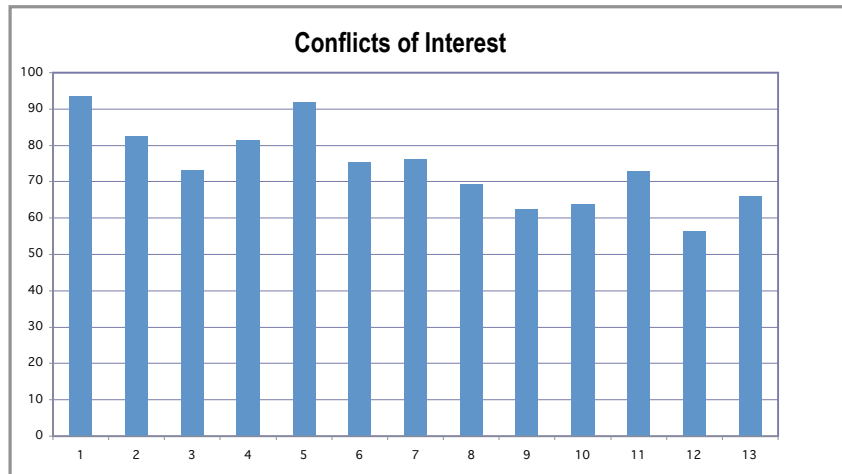


Risk Management Structure

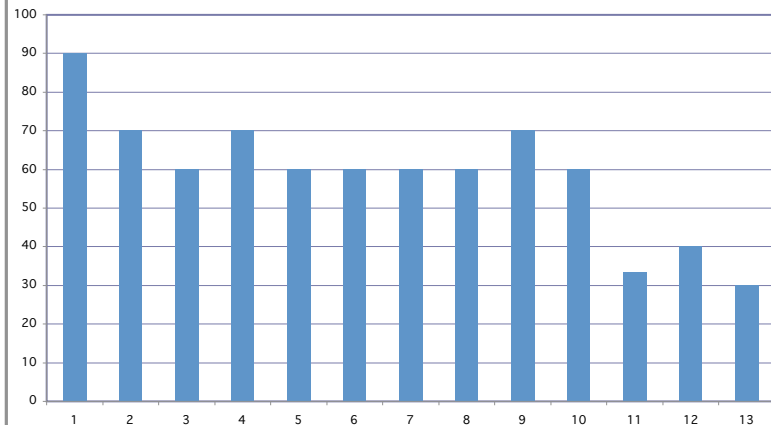


Client Intake

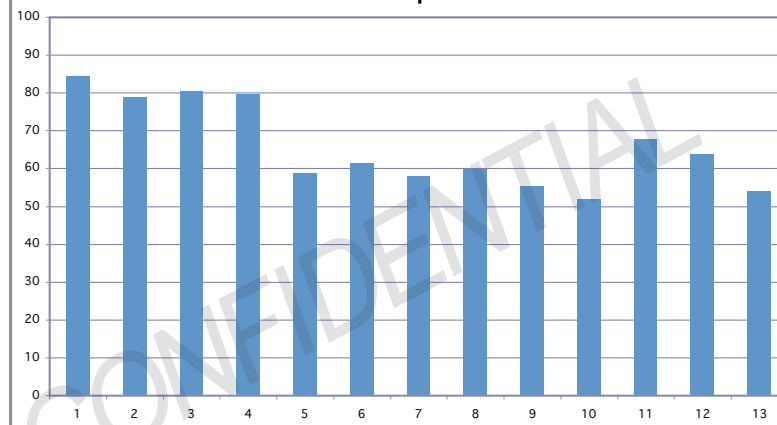




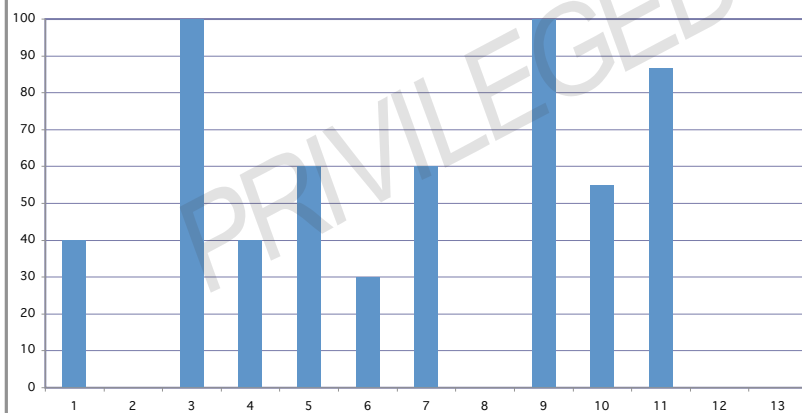
Acting in Ancillary Capacities



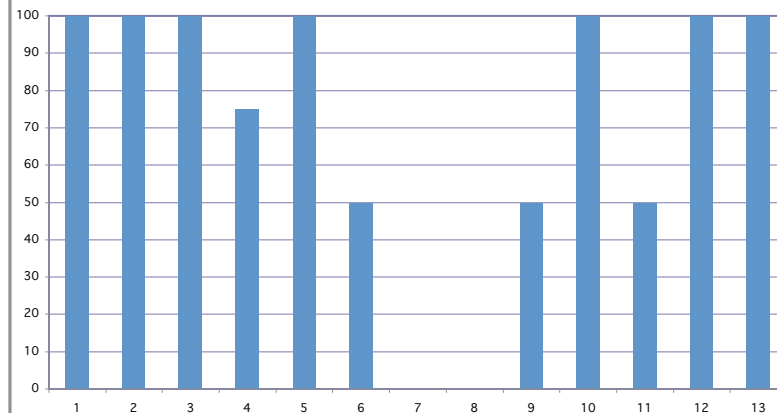
Practice Supervision

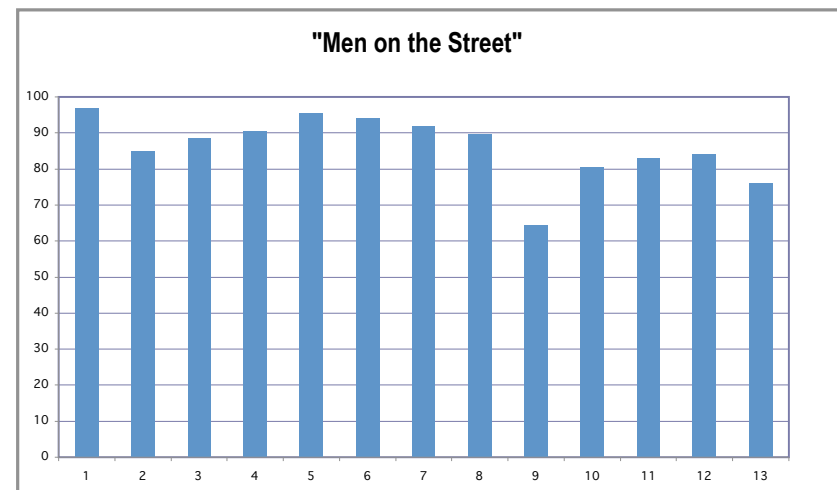
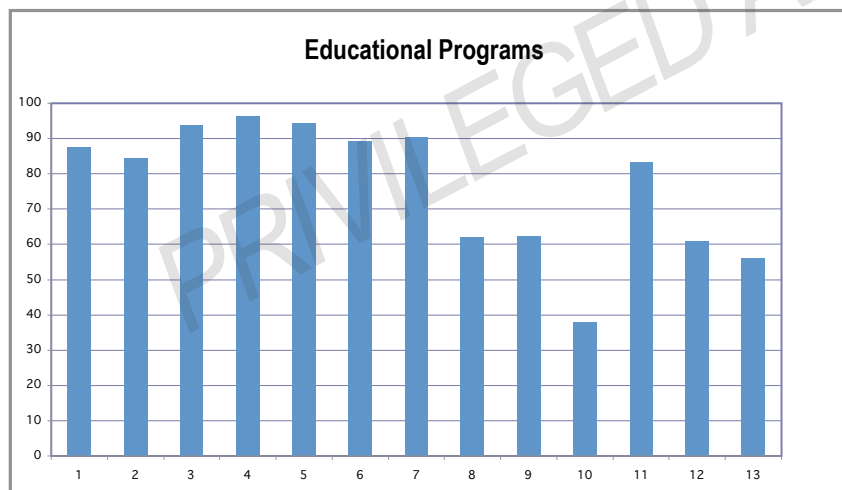
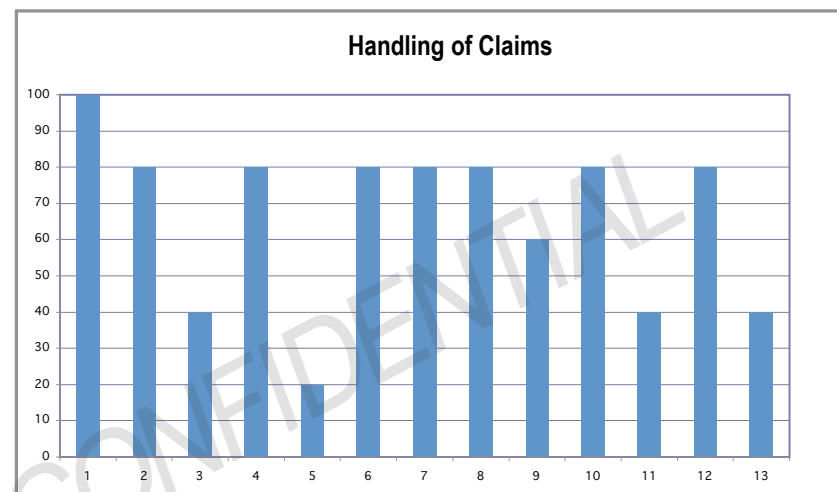
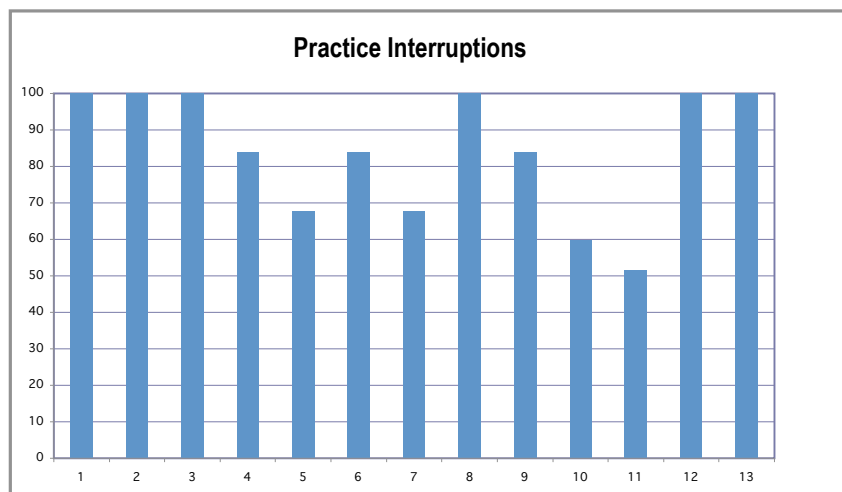


Investing in Clients



Trading in Securities





SCHEDULE B



Dion, Durrell + Associates Inc.
250 Yonge Street, Suite 2900
Toronto, Ontario, Canada M5B 2L7
dion-durrell.com

T 416 408 2626
F 416 408 3721

MEMORANDUM

DATE: October 31, 2011
TO: John Walker – Walker Sorensen LLP
FROM: Patrick Mahoney & Ryan Durrell
RE: CLLAS Risk Management Benchmark – Risk Management's Effect on Errors & Omissions Claim Cost

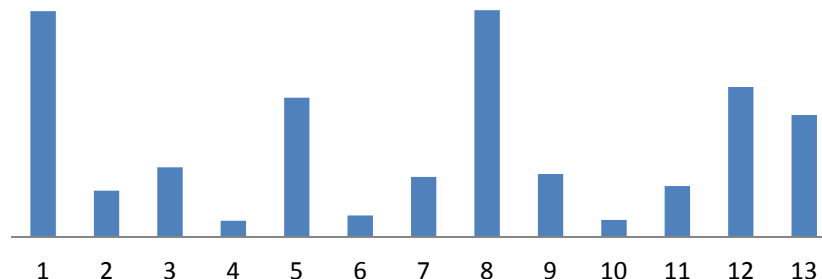
Purpose

The purpose of this memorandum is to provide the results of our effort to look for correlations between the firms' risk management benchmark rankings and errors and omissions claim costs (i.e. loss experience). Some adjustments to the data were necessary in order to remove data which distorts the results, such as "outliers" or exceptional data points. The results before and after adjustment, as well as a summary of the data adjustments made, are described below. Note that this analysis only reflects claim costs. No attempt has been made to measure other costs, such as reputational costs.

Initial Findings – Raw Data

The following chart summarizes the results using all available data before any adjustments, ordered by risk management benchmark rank. The data available spanned from the 1987-1988 policy year to the 2009-2010 policy year. The metric used below as well as later in this memorandum is cost per lawyer. This takes all losses (claim costs including both indemnity and expenses, paid and reserved) for each firm and divides by the number of exposed lawyers for the period. Actual amounts have been left off the chart to preserve firm anonymity.

Cost Per Lawyer - All Available Data



Where one would expect an upward sloping trend, using all of the data distorts the output by including large events which are not necessarily indicative of the quality of a risk management program. We therefore set about adjusting our data set to find a clearer picture.

Data Adjustments

The following adjustments were made to the data:

Inflation

Claims were trended at a rate of 7.5% to account for inflationary trends which have been observed on CLLAS claims over time. This removes a potential timing bias in claim sizes.

Development

Claims mature to their ultimate value over time. Developing claims to ultimate extrapolates seemingly smaller recent claims to their larger expected future values.

Period

Given changes in risk management awareness over time, as well as substantial merger activity amongst the firms during the late 1990s and early 2000s, we have opted to use the 2003-2004 through 2009-2010 policy years. This also better relates to the present risk management benchmark rankings.

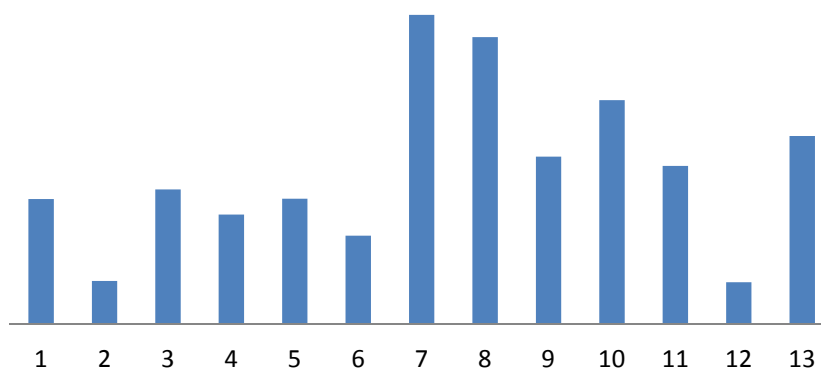
Exclusions by Size

We have opted to exclude claims with values under \$10,000 and those over \$1,000,000. Inclusion of claims under \$10,000 could distort the data by including incidents which are only reported out of an abundance of caution (potentially an indication of strong risk management awareness). Claims over \$1,000,000 are so infrequent that they do not appear to be indicative of either strong or weak risk management as much as they are “lightning strike” type events.

Findings – Adjusted Data

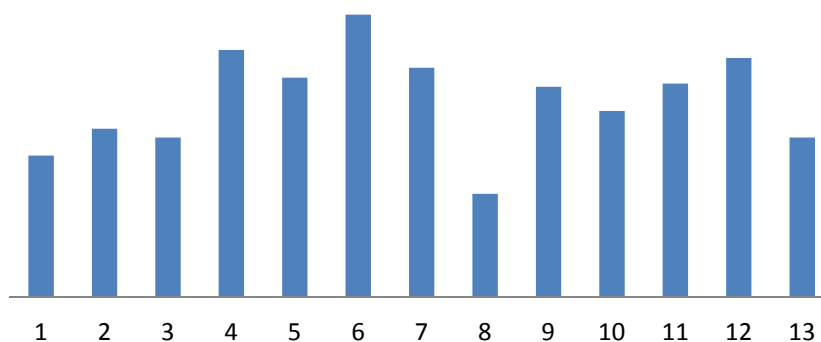
The results, after adjustments, are shown below. The results are ordered again by risk management benchmark rank.

Frequency - Adjusted Data



There is a clear difference in frequency, or number of claims per lawyer, amongst the first 6 firms versus that of the following 7 firms. A reduction in frequency is not unexpected if, in fact, risk management is effective at reducing the number of claims.

Severity - Adjusted Data

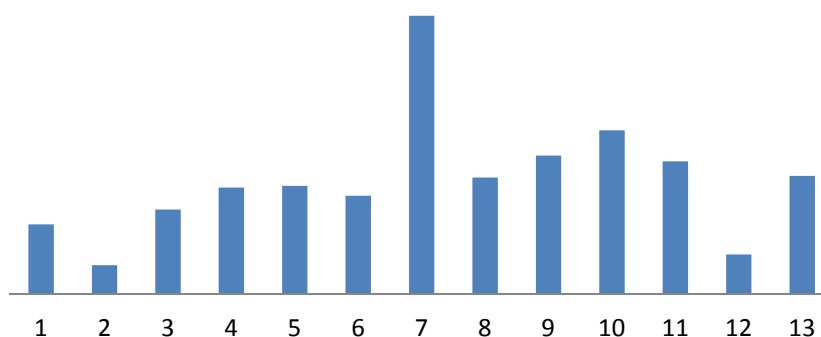


The severity chart does not show the same trend. In fact, average severity is actually worse for the first 6 firms than for the next 7.

A possible explanation for the frequency and severity results may be that smaller losses are being avoided through effective risk management, thus reducing the frequency for the first 6 firms but raising the overall severity due to a reduction in the number of smaller claims. There are an insufficient number of data points with which to assess the effects of risk management on larger claims.

Putting frequency and severity together, we arrive at the cost per lawyer metric. A chart of cost per lawyer is shown below:

Cost Per Lawyer - Adjusted Data



On a cost per lawyer basis, a positive correlation to risk management ranking emerges. Clearly there are outliers¹, however, this is not surprising as there are many reasons for outliers to exist, such as firm size.

Conclusions

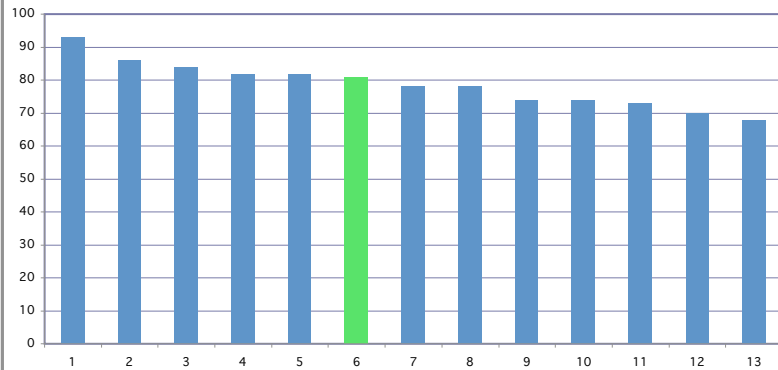
While there appears to be a correlation between a firm's risk management audit score/rank and loss experience, this correlation cannot be considered statistically strong due to the lack of a sufficient number of data points. With that in mind, this analysis does seem to provide some evidence that risk management has a positive effect on claims experience.

We feel that the CLLAS firms have started an industry-leading risk management review process. It is the opinion of the authors that this analysis forms an excellent baseline for future evaluations, and that further analysis after the second round of audits will provide a clearer assessment of the efficacy of risk management on errors and omissions claims experience.

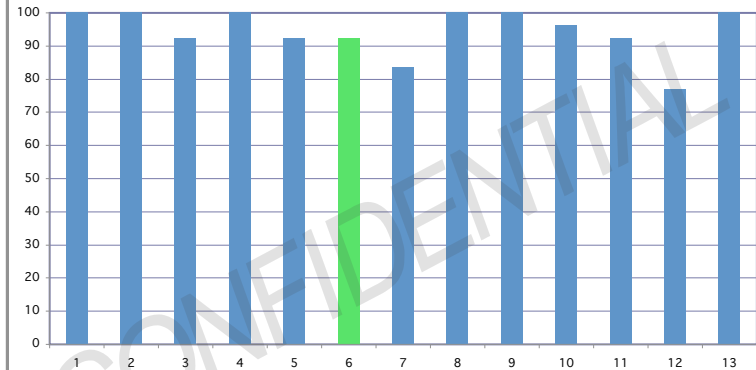
¹ Firms 2, 7 and 12 are notable outliers. The relative size of these bars should not be construed to have a negative impact on the CLLAS group as this analysis includes only losses below CLLAS' attachment point. Note, for example that firm 7 appears to be materially higher in the "Cost per Lawyer – Adjusted Data" chart, but would be considered average on the "Cost per Lawyer – All Data" chart. Note, too, that analysis is sensitive to a number of factors including firm size and statistical "noise" in the dataset at the single firm level, and for that reason no single firm's result should be considered statistically meaningful on its own.

SCHEDULE C

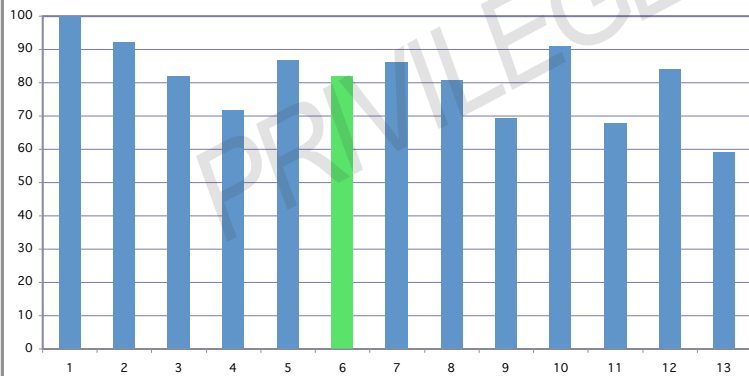
Benchmarking Scores



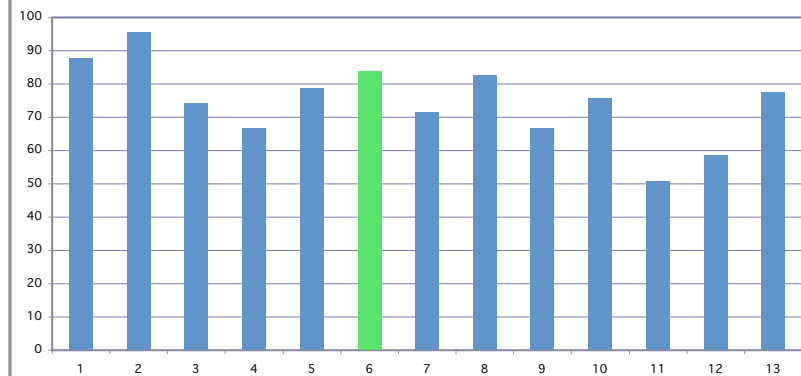
Firm Management Structure



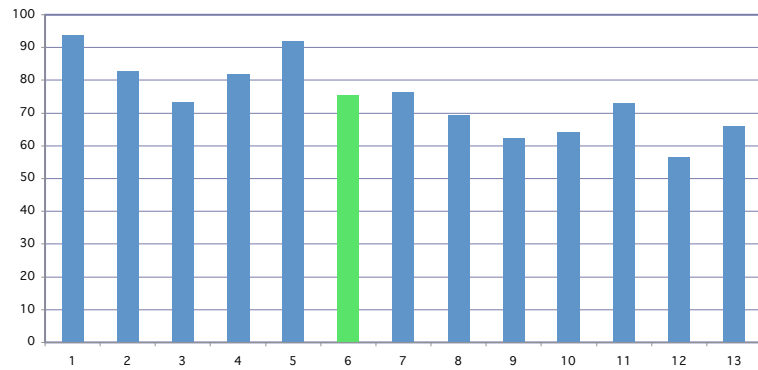
Risk Management Structure



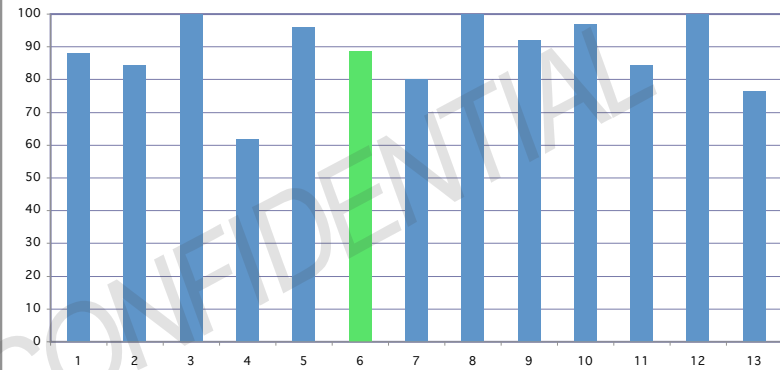
Client Intake



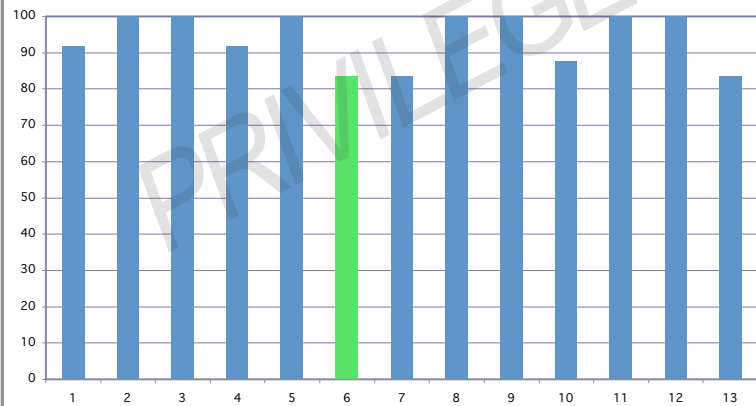
Conflicts of Interest



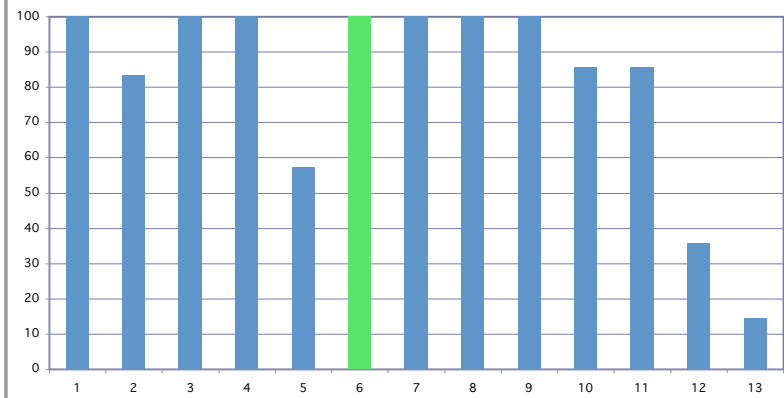
Confidentiality



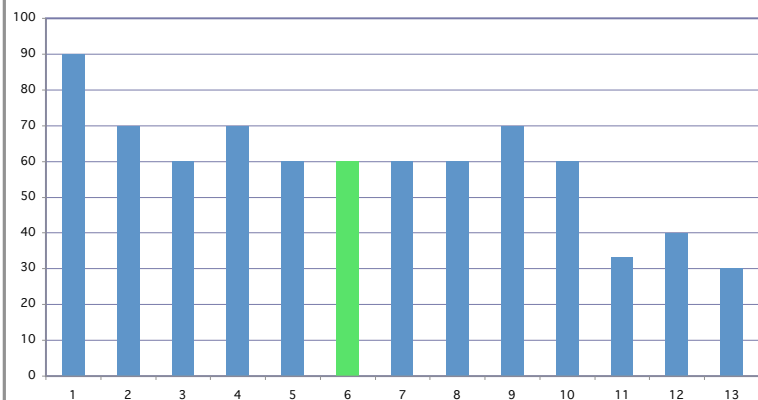
File Management



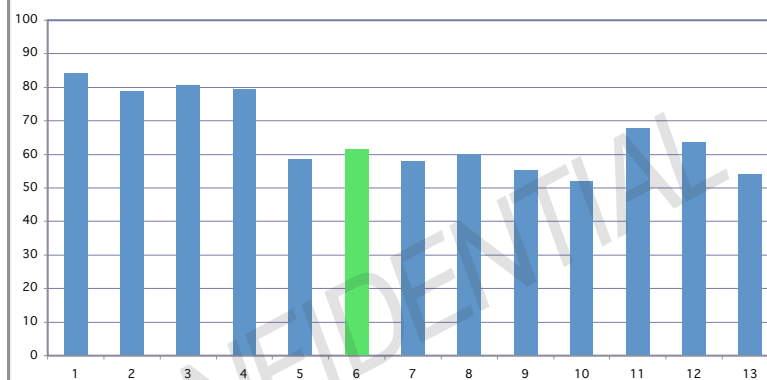
Tickler Systems



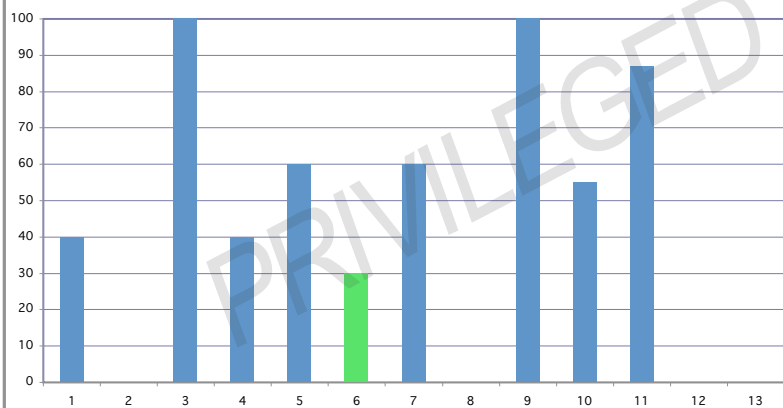
Acting in Ancillary Capacities



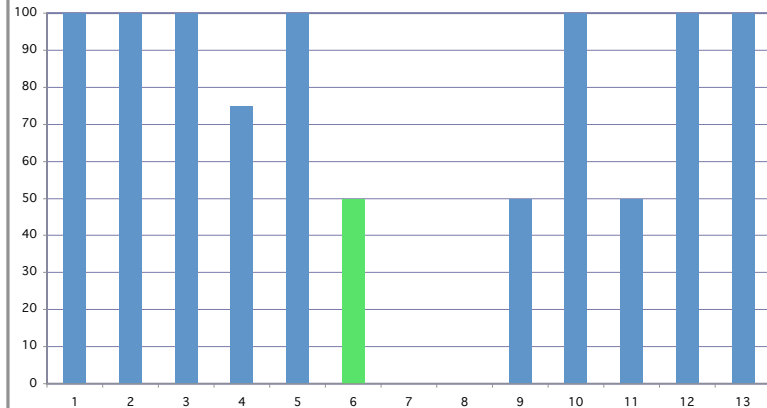
Practice Supervision

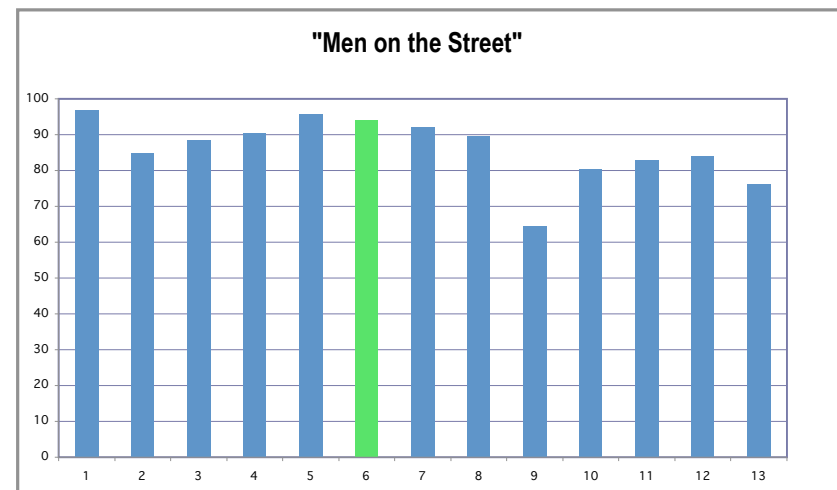
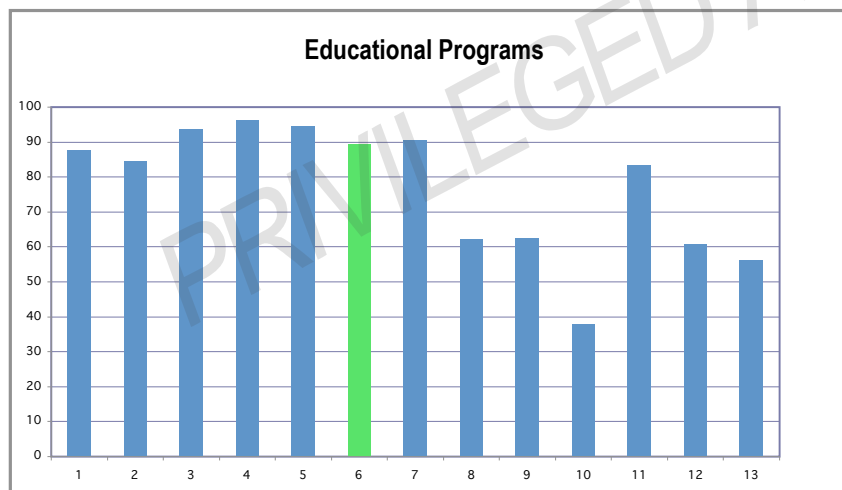
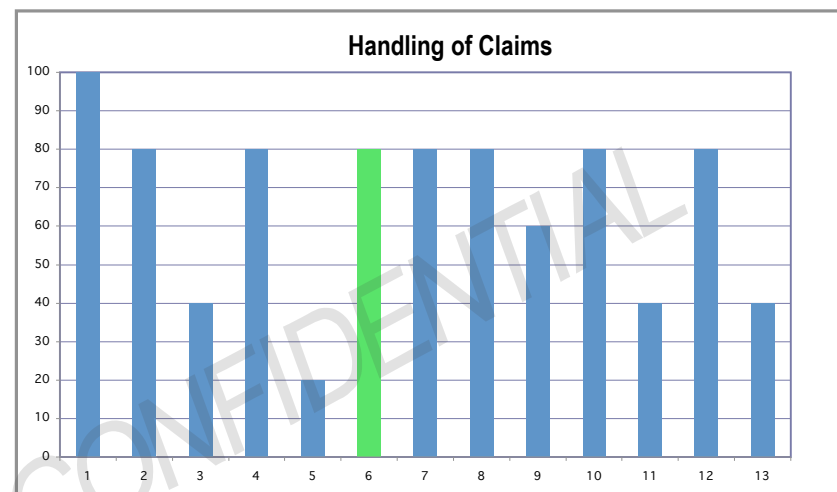
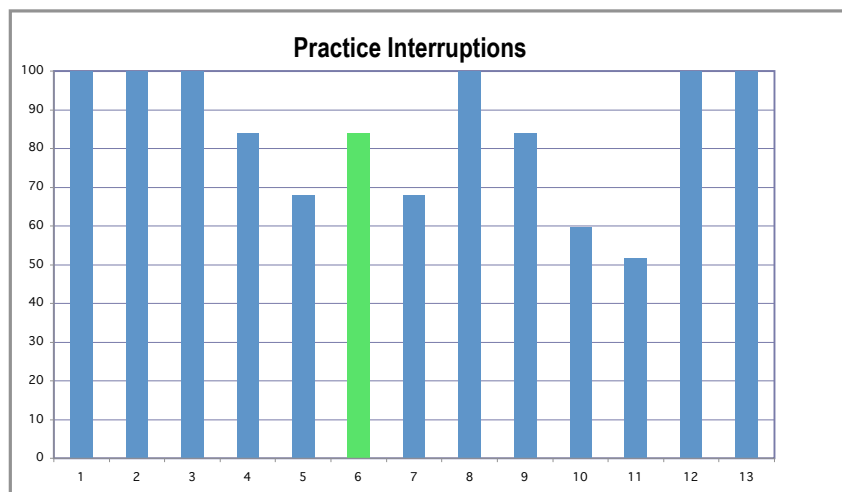


Investing in Clients



Trading in Securities





CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending September 30, 2011

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

September 30, 2011

CONTENTS

Exhibit I	Statement of Financial Position
Exhibit II	Statement of Comprehensive Income
Exhibit III	Statement of Changes in Equity
Exhibit IV	Operating Budget Variance Analysis

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
September 30, 2011

	As at September 30, 2011	As at September 30, 2010
ASSETS		
Cash	2,765,733	2,752,649
Short term investments	24,637,740	14,568,177
Premium receivable	8,503,372	10,426,037
Other receivable	1,733,852	0
Prepaid expenses	204,750	204,750
Deferred policy acquisition costs	357,486	496,741
Unearned reinsurance premium ceded	8,913,037	9,582,014
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	38,812,000	36,444,000
Reinsurance recoverable	934,854	13,106,957
Interest income due and accrued	337,661	319,108
Bonds	44,393,475	39,505,384
	<u>131,593,959</u>	<u>127,405,817</u>
LIABILITIES		
Accounts payable & accrued charges	511,439	659,592
Premium taxes payable	315,913	13,411
Unearned premium	12,731,824	15,596,209
Due to reinsurers	5,953,471	6,405,557
Provision for unpaid claims and adjustment expenses	89,034,000	80,357,000
Provision for unpaid premium liabilities	0	2,629,820
Premium deficiency liability	0	0
	<u>108,546,648</u>	<u>105,661,589</u>
SUBSCRIBERS' EQUITY		
Surplus	20,791,536	19,985,786
Accumulated Other Comprehensive Income (Loss),	2,255,775	1,758,442
	<u>23,047,311</u>	<u>21,744,228</u>
	<u>131,593,959</u>	<u>127,405,817</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending September 30, 2011

	Current Year		Prior Year	
	Quarter September 30, 2011	Year to Date September 30, 2011	Quarter September 30, 2010	Year to Date September 30, 2010
Written Premium	17,006,743	17,006,743	20,852,074	20,835,506
Gross Written Premiums	17,006,743	17,006,743	20,852,074	20,835,506
Less: Reinsurance Ceded	11,905,735	11,905,735	12,811,117	12,811,117
Net Written Premiums	5,101,008	5,101,008	8,040,957	8,024,389
Change in Unearned Premiums	(3,818,788)	168,646	(6,014,196)	(1,121,609)
Earned Premiums	1,282,220	5,269,654	2,026,761	6,902,780
Claims Paid	11,413	461,097	85,688	211,081
Change in IBNR	(127,000)	1,754,000	(245,000)	2,002,000
Change in Case Reserve	2,432,000	4,087,000	2,745,000	3,743,000
Premium Deficiency Expense	0	(548,000)	0	0
Change in provision for unpaid premium liability	0	0	0	0
Incurred Claims	2,316,413	5,754,097	2,585,688	5,956,081
Management and operating expenses	664,102	1,881,728	544,063	1,832,943
Reinsurance fees	68,250	204,750	68,250	204,750
Premium taxes	(562,589)	(475,273)	165,580	448,703
Total Operating Expenses	169,764	1,611,205	777,893	2,486,396
Underwriting Gain (Loss)	(1,203,956)	(2,095,648)	(1,336,820)	(1,539,697)
Investment Income	472,963	1,309,249	369,727	1,094,141
Income on Claim Related Matters	0	1,559,658	0	0
NET GAIN/(LOSS)	<u>(730,993)</u>	<u>773,259</u>	<u>(967,093)</u>	<u>(445,556)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	950,169	1,057,722	387,673	547,957
Recognition of realized gain (loss) included in income	-	-	-	0
Other comprehensive income (loss) for the year	950,169	1,057,722	387,673	547,957
Total comprehensive income (loss)	<u>219,175</u>	<u>1,830,981</u>	<u>(579,420)</u>	<u>102,401</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
September 30, 2011

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	19,968,277	1,198,053	21,216,330
Prior year adjustment		-		-
Comprehensive income for the year				
Net gain (loss) for the year		773,259		773,259
Other comprehensive income				
Unrealized gains and losses on available-for-sale financial assets arising during the year			1,057,722	1,057,722
Recognition of realized gain included in income			-	-
Total other comprehensive income (loss)			1,057,722	1,057,722
Total comprehensive income (loss) for the year		773,259	1,057,722	1,830,981
Balance at September 30, 2011	50,000	20,741,536	2,255,775	23,047,311

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED September 30, 2011

	Annual Budget	Year to Date Budget % Accrued to Date	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	495,000	75%	371,250	398,708	(27,458)
PROFESSIONAL SERVICES					
Actuarial Services	100,000	83%	83,000	72,267	10,733
Reinsurance Matters (Note 1)	400,000	83%	332,000	560,892	(228,892)
Strategic Matters	120,000	83%	99,600	25,275	74,325
Sub-Total Professional Services	620,000		514,600	658,434	(143,834)
GST/HST on Consulting Fees	144,950		115,161	137,428	(22,268)
Total Management & Professional Services * (See Note 2)	1,259,950		1,001,011	1,194,570	(193,560)
OTHER EXPENSES					
Audit Expenses	75,000	75%	56,250	66,154	(9,904)
Annual Dinner	5,500	100%	5,500	6,014	(514)
Premium Taxes	745,000	75%	558,750	(475,273)	1,034,023
Premium Taxes: Interest	-		-	348,735	(348,735)
Chairman's Expenses	2,000	75%	1,500	-	1,500
Chairman's Honourium	75,000	100%	75,000	75,000	-
Reinsurance Expense	10,000	75%	7,500	5,831	1,669
Office Expenses	20,000	75%	15,000	31,009	(16,009)
Office Expenses - Website management software license	1,000	75%	750	1,162	(412)
Claims: Borderaux (LSUC)	16,000	75%	12,000	8,420	3,580
Special Services	165,000	75%	123,750	(147,939)	271,689
Miller Insurance Fees (Reins. Comm.) (See Note 3)	273,000	75%	204,750	204,750	-
I.B.C Statistical Plan Fees	15,000	75%	11,250	5,545	5,705
FSCO Assessment Fees	15,000	75%	11,250	2,011	9,239
Investment counsel fees	142,000	75%	106,500	113,510	(7,010)
Investment - Custodial	45,000	75%	33,750	28,588	5,162
Risk Management/Loss Prevention	80,000	75%	60,000	120,284	(60,284)
License Fee	5,000	75%	3,750	-	3,750
Insurance: Sundry	-		-	22,834	(22,834)
Sub-total	1,689,500		1,287,250	416,635	870,615
TOTAL	2,949,450		2,288,260	1,611,205	677,055

*** NOTE 1: REINSURANCE MATTERS**

Reinsurance Budget was adjusted subsequent to the February Board meeting based on the decision taken at the meeting with respect to reinsurance renewal strategy.

*** NOTE 2: PROFESSIONAL SERVICES - SEASONALLY WEIGHTED BUDGET**

This is based upon an analysis of the current budget and previous years' experience, the anticipated pattern of seasonal workflow is as follows:

First Quarter, ending March 31st	26%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	16%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 3: MILLER INSURANCE FEES (Reins. Comm.)**

The annual budget is based upon the annual fee estimated for the policy period 2011/2012.

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING SEPTEMBER 30, 2011

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

Suite 620, 48 Yonge Street
Toronto, Ontario
M5E 1G9

Tel.: 416-363-6216
Fax: 416-363-4538
e-mail: info@mlsinvest.com

CLLAS

CANADIAN LAWYERS LIABILITY **ASSURANCE SOCIETY**

COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2011

Review of Market Yields

After recording little change early in the quarter, bond yields fell sharply during August and bottomed early in September. Yields across all maturities then held near their lows for the balance of the quarter. The most significant reductions occurred in the 5 to 10 year maturity range, where yields dropped 95 basis points on average. Meanwhile, 3 month Treasury Bills recorded the smallest reduction of 13 basis points.

These changes caused a significant flattening of the yield curve as the yield advantage of the 10-year issue over the Treasury Bills declined to 135 basis points from 218 basis points three months earlier.

	Jan. 1/95	Mar. 31/11	June 30/11	Sept. 30/11
3-Month Treasury Bills	6.80%	0.93%	0.93%	0.80%
5-year Canadas	8.99%	2.77%	2.33%	1.39%
10-year Canadas	9.09%	3.35%	3.11%	2.15%

During the third quarter, the valuation of the Long Term Investment Fund rose \$927,820 or 2.1% on a capital basis.

At September 30, 2011, the average term to maturity of the Long Term Investment Fund stood at 3.7 years, unchanged from three months earlier.

During the quarter, in the Long Term Investment Fund, a Canada guaranteed bond matured. Part of these proceeds was used to increase an existing corporate bond and to add a new corporate issue. The balance was invested in the Short Term Investment Fund. The remaining activity involved the investment of the \$4 million addition in the Short Term Investment Fund and the rollover of matured money market issues.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at September 30.

<i>Distribution at September 30, 2011</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$25,854,108	37.5%
Long Term Investment Fund	43,178,685	62.5%
TOTAL COMBINED VALUATION	\$69,032,793	100.0%

CLLAS

CANADIAN LAWYERS LIABILITY **ASSURANCE SOCIETY**

The following pages set out tables, commentary and schedules on the items listed below:

- **Investment Performance: Summary of Capital Performance and Total Returns for the Long Term Investment Fund - (Returns Exclude Investment Counsel Fees)**
- **Total Returns vs. Benchmarks - Gross and Net of Fees**
- **Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity**
- **Compliance Statement**
- **Quarterly Performance Report - Gross of Fees: Long Term Investment Fund**
- **Bond Market Commentary and Future Policy**
- **Security Holdings in the Short and Long Term Investment Funds Listed and Valued Separately as at September 30, 2011**
- **Security Purchases and Sales**
- **Cash Reconciliations**

CLLAS

LONG TERM INVESTMENT FUND

SUMMARY OF CAPITAL PERFORMANCE SINCE THE STARTING DATE OF JANUARY 1, 1995

	Jan. 1/95	Mar. 31/11	June 30/11	Sept. 30/11
<i>Valuation of Long Term Investment Fund</i>	\$3,466,369	\$43,844,010	\$44,235,457	\$43,178,685
Cumulative Capital Added (Net) since January 1, 1995		\$38,808,970	\$38,796,778	\$36,812,187

Quarterly Capital Change		-\$ 347,643	+\$ 403,639	+\$ 927,820
Quarterly Capital % Change		- 0.9%	+ 0.9%	+ 2.1%

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING SEPTEMBER 30, 2011 (ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	5.3	6.0	6.0	4.6	4.6	3.1
DEX Canada Short Bond Index	4.9	5.2	4.8	3.7	3.8	2.6
DEX Provincial Short Bond Index	5.2	5.6	5.6	4.2	4.2	2.4

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING SEPTEMBER 30, 2011

	Since Inception Oct. 1/08 *	Two Years *	One Year	Last 3 Months
<i>Long Term Investment Fund – Gross of Fees</i>	5.98	4.58	4.61	3.09
<i>Long Term Investment Fund – Net of Fees</i>	5.69	4.29	4.32	3.01
Benchmark Portfolio **	6.58	5.50	5.51	4.13

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based on the sum of the following total return indices:

30% DEX Short Term Federal Bond Index
30% DEX Short Term Provincial Bond Index
20% DEX Mid Term Federal Bond Index
20% DEX Mid Term Provincial Bond Index

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING SEPTEMBER 30, 2011

	Since Inception Oct. 1/08 *	Two Years *	One Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	0.77	0.66	0.93	0.23
<i>Short Term Investment Fund – Net of Fees</i>	0.62	0.54	0.81	0.21
Benchmark Portfolio **	0.67	0.58	0.92	0.23

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based 100 %
on the total return index of the 30-day Treasury Bill Index

CLLAS

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY CREDIT RISK

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Mar. 31/11	June 30/11	Sept. 30/11
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	9.7%	12.4%	7.1%
Canadas Greater than 1 year term	54.7%	39.4%	34.3%	36.2%
Provincials Greater than 1 year term	16.3%	36.1%	37.8%	39.6%
Corporates Greater than 1 year term	-	14.8%	15.5%	17.1%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY MATURITY

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Mar. 31/11	June 30/11	Sept. 30/11
Under 1 year	29.0%	9.7%	12.4%	7.1%
1 - 3 years	19.8%	34.1%	31.2%	36.2%
3 - 5 years	29.3%	34.7%	34.9%	35.4%
5 - 7 years	11.4%	13.2%	11.6%	10.5%
7 - 10 years	10.5%	8.3%	9.9%	10.8%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	2.6	3.8	3.7	3.7
Average Duration	2.3	3.4	3.3	3.4

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2011

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.4 years	Yes
Minimum Size	20% of Total	37.5%	Yes
Minimum Canada & Provincial Percentage	50%	53.8%	Yes
Minimum Provincial Quality	A	A Hi	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	9.2 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	42.6%	Yes
Maximum Provincial Percentage	40%	39.7%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	17.8%	Yes
Minimum Corporate Quality *	A	A	Yes

** At time of purchase*

This will confirm that during the quarter the portfolio and its components were managed in compliance with the Investment Policy Statement dated October 2008.

At September 30, the Short Term Investment Fund represented 37.5% of the two Funds combined, which is above the 20% minimum required. At September 30, none of the bond holdings' current credit ratings was below the minimum requirement.

"At the end of the quarter, the lowest rated bonds were:"

Provincial Bonds: Quebec and Manitoba @ A Hi
 Corporate Bonds: Canadian Utilities Inc. @ A
 Enbridge Gas Distribution @ A

CLLAS

Martin, Lucas & Seagram Ltd.
PERFORMANCE REPORT
GROSS OF FEES
CLLAS - LONG TERM INVESTMENT FUND
From 06-30-11 to 09-30-11

Portfolio Value on 06-30-11	44,235,457
Accrued Interest	323,647
Contributions	736,744
Withdrawals	-3,125,494
Realized Gains	-10,260
Unrealized Gains	938,080
Interest	404,159
Dividends	0
Change in Accrued Interest	-4,250
Portfolio Value on 09-30-11	43,178,685
Accrued Interest	319,396
Average Capital	42,991,843
Total Gain before Fees	1,327,728
IRR for 0.25 Years	3.09%

CLLAS

BOND MARKET COMMENTARY AND FUTURE POLICY

The gradual downward trend in bond yields that prevailed during the second quarter continued early into the third quarter. During this period, multiple signs of a slowing global economy and ongoing turmoil in the European sovereign debt markets caused investment flows to shift away from riskier equity assets towards the relative safety of North American government bonds. Early in August, these investment flows intensified and stocks experienced their sharpest setback since the recovery began back in 2009, while bond yields went into a steep decline that carried through to the end of the quarter. The tipping point for the markets followed Standard & Poor's downgrade of the United States' credit rating. This was issued after U.S. legislators reached an eleventh hour agreement to raise their debt ceiling, which averted a possible default.

While the U.S. downgrade helped to stoke the market turmoil, deeper and more immediate problems are mostly responsible for the swing in investment flows. Since August, investor confidence has been badly shaken by a confluence of events. These included a significant escalation of the European debt crises, an unexpected loss of economic momentum in most developed countries, particularly the U.S., and a lack of cohesive leadership in both Europe and the U.S. to effectively deal with these issues or their deep structural problems relating to public sector debts and deficits.

In Europe, fears of contagion were realized as the sovereign debt crisis spread from the previously bailed-out periphery nations of Greece, Ireland and Portugal to three of the Euro-zone's four largest members, namely Italy, Spain and to a lesser extent France. In another attempt to contain the crises, the European Central Bank agreed to buy Italian and Spanish bonds. While this helped ease their funding costs, the lack of a more comprehensive policy response and the growing likelihood of a disorderly Greek default sparked a serious sell-off among major European banks. This has rekindled worries that banks could suffer debilitating losses due to their exposure to Euro-sovereign debt. In response to these concerns and growing strains in the interbank lending market, European Central Banks have committed to supply new funds to the banks. Political leaders are also moving towards a comprehensive plan to recapitalize the regions' banks, in order to avert a credit collapse, and buy time for governments to find a lasting solution to the sovereign debt crises.

Turning to the economic backdrop, in recent months most economic indicators have been falling short of expectations. The U.S. Federal Reserve has conceded that economic growth so far this year has been considerably slower than anticipated and described the economy as "close to faltering". Similarly, Europe has also experienced minimal growth while Japan continues to contract, albeit at a slower pace than originally anticipated. Canada's economy also shrank during the second quarter, due primarily to a downturn in international trade.

CLLAS

The deteriorating economic outlook and recent financial strains have been supportive of government bond prices, although corporate bond spreads have widened as investors seek to reduce their risk exposure. Recent actions by the monetary authorities also added downward pressure on government bond yields across all maturities. The U.S. Federal Reserve has made an unprecedented commitment to keep administered interest rates at record low levels for at least the next two years, which has anchored short term market yields at historically low levels. Furthermore, the Fed has adopted additional expansionary measures through “operation twist”. This latest Fed policy tool seeks to lower rates at the long end of the curve by swapping short-term Treasuries for long-dated issues. Meanwhile, many emerging nations, including China, have pledged to delay interest rate increases and some have cut interest rates in order to provide support to the global economy.

It remains to be seen how effective these measures will be. While monetary and fiscal stimulus helped fuel the recovery from the global financial crises three years ago, there are few monetary options left to spur the economy, and governments’ financial ability and political will to provide additional fiscal support have diminished. Instead, most governments’ priorities have turned to fiscal retrenchment in order to cut their debts and deficits. Without these public sector catalysts for growth, the economy’s prospects have become increasingly cloudy.

At this juncture, investors are faced with a myriad of possible outcomes. We still think a full-scale global recession can be averted, however, the risks have risen and the weakened economy leaves little cushion for new shocks. Fortunately, since the end of the third quarter, most economic indicators have been a little better than expected and Europe seems likely to move more aggressively to address their sovereign debt and banking problems. As a result, investors’ risk appetite has improved and stocks have rebounded while bond prices have weakened somewhat as yields have turned moderately higher. Barring a global recession, we believe the recent low in yields may represent a cyclical bottom, although we do not expect a significant rise from current levels. Over the short term, we expect bond prices will likely drift in a sideways trading range, with above average volatility as investors oscillate between risk-on and risk-off trades. This pattern is expected to persist given that we likely face a protracted period of slow uneven growth and our expectation that a normalization of monetary policy has been pushed further into the future.

With the addition of new funds during the third quarter, the Short Term Investment Fund segment represented 37.5% of the total Fund at the end of September. With the backup in yields since the end of the quarter, there has been a small percentage reduction in the Short Term Fund and a corresponding increase in the Long Term Fund. In the period ahead, we will be looking for favourable opportunities to shift additional assets from the Short to the Long Term Fund and will continue to focus on a high quality laddered investment approach to hedge against the elevated macro-risks.

RWB: sc
October 25, 2011

As stipulated in our Investment Management Agreement, please let ML&S know if there are major changes in the financial circumstances, income needs or risk tolerance in order for us to review the suitability of the Funds’ investment objectives.

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	101.16	505,775	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	102.13	2,246,750	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	104.28	782,085	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	104.40	939,636	32,400
900,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	105.12	104.88	943,911	31,950
1,650,000	Canada Housing Trust Sr. 24 2.70% due December 15, 2013	100.25	103.53	1,708,278	44,550
1,500,000	Canada Housing Trust Sr. 26 2.20% due March 15, 2014	99.80	102.58	1,538,685	33,000
1,000,000	Canada Housing Trust Sr. 28 3.15% due June 15, 2014	99.95	105.15	1,051,450	31,500
1,500,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	101.82	104.27	1,564,035	41,250
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	110.02	660,120	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	110.24	716,554	26,650
1,000,000	Canada 3.00% due December 1, 2015	102.41	106.98	1,069,770	30,000
1,000,000	Canada Housing Trust 2.75% Series 39 due December 15, 2015	99.35	104.81	1,048,090	27,500
1,000,000	Canada 4% due June 1, 2016	99.58	111.98	1,119,770	40,000
750,000	Canada Housing Trust Sr. 23 4.10% due December 15, 2018	104.51	112.46	843,450	30,750
1,500,000	Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	103.99	109.72	1,645,785	56,250
				<hr/> 18,384,144	<hr/> 594,725
PROVINCIAL BONDS					
1,250,000	Ontario 4.50% due December 2, 2012	103.37	103.99	1,299,875	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	105.99	1,351,347	60,563
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	108.21	1,082,110	50,500

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
750,000	Ontario 5% due March 8, 2014	102.63	108.92	816,923	37,500
500,000	Ontario 3.25% due September 8, 2014	99.84	105.33	526,650	16,250
800,000	Alberta 2.75% due December 1, 2014	101.64	104.31	834,488	22,000
750,000	Manitoba 4.80% due December 3, 2014	104.46	110.43	828,255	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	109.88	1,483,326	60,750
900,000	Ontario 3.15% due September 8, 2015	102.69	105.68	951,084	28,350
1,750,000	Ontario 4.4% due March 8, 2016	102.25	111.10	1,944,233	77,000
750,000	Ontario 3.20% due September 8, 2016	99.95	106.02	795,135	24,000
1,750,000	Ontario 4.30% due March 8, 2017	101.49	111.29	1,947,505	75,250
1,000,000	Ontario 4.20% due March 8, 2018	100.33	110.75	1,107,540	42,000
1,000,000	British Columbia 4.10% due December 18, 2019	103.60	109.52	1,095,240	41,000
1,000,000	British Columbia 3.70% due December 18, 2020	99.83	105.77	1,057,670	37,000
				17,121,380	664,413
CORPORATE BONDS					
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	103.31	309,924	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	103.08	412,328	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	104.67	785,018	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	105.89	264,718	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	104.32	312,966	12,990
250,000	Enbridge Gas Distribution 5.570% due January 29, 2014	107.04	108.56	271,398	13,925
250,000	Canadian Utilities Inc. 5.096% due November 18, 2014	105.56	109.48	273,690	12,740

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
500,000	CIBC 4.75% due December 22, 2014	101.80	108.35	541,760	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	105.63	316,875	13,950
500,000	Royal Bank 3.18% due March 16, 2015	102.15	103.85	519,260	15,900
300,000	Royal Bank 3.36% due January 11, 2016	100.54	103.74	311,226	10,080
300,000	CIBC Dep Nts 3.40% due January 14, 2016	100.67	103.95	311,841	10,200
400,000	Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	101.65	104.79	419,140	14,440
600,000	Bank of Montreal 3.103% due March 10, 2016	100.79	102.85	617,094	18,618
500,000	Bank of Montreal Dep. Note 3.49% due June 10, 2016	104.92	104.37	521,840	17,450
500,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	101.46	104.74	523,695	18,300
700,000	CIBC Dep Note 3.95% due July 14, 2017	102.93	105.93	741,482	27,650
200,000	Bank of Montreal 4.55% due August 1, 2017	99.94	109.45	218,908	9,100
				7,673,162	299,498
TOTAL PORTFOLIO				43,178,685	1,558,636

This page intentionally left blank.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			6,159	0
MONEY MARKET ISSUES					
1,200,000	Canada Treasury Bill .81% due October 13, 2011	99.84	99.97	1,199,640	9,705
500,000	Bank of Nova Scotia BA 1.00% due October 17, 2011	99.84	99.95	499,750	4,992
500,000	Bank of Nova Scotia BA .95%% due October 19, 2011	99.95	99.94	499,687	4,747
600,000	CIBC BA .95% due October 19, 2011	99.84	99.94	599,666	5,691
1,850,000	CIBC BA 1.10% due October 20, 2011	99.74	99.94	1,848,914	20,297
1,000,000	FirstBank BA .95% due October 21, 2011	99.94	99.93	999,314	9,494
280,000	CIBC BA 1.00% due October 24, 2011	99.80	99.93	279,800	2,794
1,000,000	Royal Bank BA .95% due October 25, 2011	99.93	99.93	999,338	9,493
560,000	Toronto Dominion Bank BA .95% due October 25, 2011	99.84	99.93	559,591	5,312
440,000	Toronto Dominion Bank BA .95% due October 25, 2011	99.93	99.93	439,678	4,177
740,000	Canada Treasury Bill .79% due October 27, 2011	99.87	99.94	739,549	5,838
1,150,000	CIBC BA 1.07% due November 4, 2011	99.74	99.90	1,148,897	12,272
800,000	CIBC BA 1.00% due November 7, 2011	99.76	99.89	799,088	7,981
170,000	CIBC BA 1.00% due November 7, 2011	99.86	99.89	169,806	1,698
980,000	FirstBank BA 1.00% due November 8, 2011	99.83	99.88	978,871	9,784
849,000	FirstBank BA 1.00% due November 8, 2011	99.85	99.88	848,022	8,477
300,000	Toronto Dominion Bank BA 1.00% due November 8, 2011	99.76	99.88	299,653	2,993
955,000	Canada Treasury Bill .80% due November 10, 2011	99.85	99.91	954,121	7,628
1,500,000	Canada Treasury Bill .73% due November 24, 2011	99.80	99.88	1,498,155	10,929

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2011

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
650,000	Canada Treasury Bill 0.71% due November 24, 2011	99.89	99.88	649,201	4,610
1,000,000	Bank of Nova Scotia BA 1.00% due December 5, 2011	99.77	99.80	998,000	9,977
1,750,000	Canada Treasury Bill .74% due December 8, 2011	99.83	99.85	1,747,288	12,928
2,000,000	Canada Treasury Bill 0.72% due December 22, 2011	99.83	99.81	1,996,280	14,376
900,000	Canada Treasury Bill .78% due March 1, 2012	99.64	99.65	896,805	6,995
				<hr/> 21,649,113	<hr/> 193,189
GOVERNMENT BONDS					
1,000,000	Canada Coupon due December 1, 2011	99.79	99.85	998,500	0
PROVINCIAL BONDS					
1,200,000	Ontario 4.4% due December 2, 2011	101.02	100.53	1,206,396	52,800
2,000,000	British Columbia Residue due January 9, 2012	99.73	99.70	1,993,940	0
				<hr/> 3,200,336	<hr/> 52,800
TOTAL PORTFOLIO				<hr/> 25,854,108	<hr/> 245,989

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
07-06-11	07-07-11	1,550,000	Canada Treasury Bill .81% due September 29, 2011	99.81	1,547,115.45
07-13-11	07-14-11	800,000	CIBC BA .95% due August 11, 2011	99.93	799,417.60
07-20-11	07-21-11	1,230,000	Canada Treasury Bill .79% due August 18, 2011	99.94	1,229,254.62
07-21-11	07-22-11	600,000	FirstBank BA .95% due August 22, 2011	99.92	599,516.40
07-22-11	07-25-11	775,000	Royal Bank BA .95% due August 17, 2011	99.94	774,536.55
07-25-11	07-26-11	1,850,000	CIBC BA 1.10% due October 20, 2011	99.74	1,845,221.08
07-28-11	07-29-11	1,000,000	FirstBank BA .95% due September 15, 2011	99.88	998,752.00
08-03-11	08-04-11	1,200,000	Canada Treasury Bill .81% due October 13, 2011	99.84	1,198,135.20
08-04-11	08-05-11	1,150,000	CIBC BA 1.07% due November 4, 2011	99.74	1,146,964.00
08-09-11	08-10-11	280,000	CIBC BA 1.00% due October 24, 2011	99.80	279,447.28
08-09-11	08-10-11	950,000	Toronto Dominion Bank BA .95% due September 9, 2011	99.92	949,275.15
08-09-11	08-10-11	300,000	Toronto Dominion Bank BA 1.00% due November 8, 2011	99.76	299,291.10
08-10-11	08-11-11	800,000	CIBC BA 1.00% due November 7, 2011	99.76	798,054.40
08-17-11	08-18-11	500,000	Bank of Nova Scotia BA 1.00% due October 17, 2011	99.84	499,179.50
08-17-11	08-18-11	1,500,000	Canada Treasury Bill .73% due November 24, 2011	99.80	1,497,066.00
08-17-11	08-18-11	645,000	Royal Bank BA .95% due September 20, 2011	99.91	644,446.60
08-19-11	08-22-11	600,000	CIBC BA .95% due October 19, 2011	99.84	599,047.80
08-25-11	08-26-11	560,000	Toronto Dominion Bank BA .95% due October 25, 2011	99.84	559,126.96
08-31-11	09-01-11	1,000,000	Canada Coupon due December 1, 2011	99.79	997,881.00
08-31-11	09-01-11	740,000	Canada Treasury Bill .79% due October 27, 2011	99.87	739,036.52
08-31-11	09-01-11	955,000	Canada Treasury Bill .80% due November 10, 2011	99.85	953,537.90

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-07-11	09-08-11	855,000	FirstBank BA 1.00% due November 8, 2011	99.83	853,573.86
09-09-11	09-12-11	1,000,000	Bank of Nova Scotia BA 1.00% due December 5, 2011	99.77	997,704.00
09-09-11	09-09-11	125,000	FirstBank BA 1.00% due November 8, 2011	99.84	124,805.13
09-14-11	09-15-11	2,000,000	British Columbia Residue due January 9, 2012	99.73	1,994,612.00
09-14-11	09-15-11	170,000	CIBC BA 1.00% due November 7, 2011	99.86	169,753.50
09-14-11	09-15-11	1,750,000	Canada Treasury Bill .74% due December 8, 2011	99.83	1,747,025.00
09-14-11	09-15-11	900,000	Canada Treasury Bill .78% due March 1, 2012	99.64	896,780.70
09-14-11	09-15-11	849,000	FirstBank BA 1.00% due November 8, 2011	99.85	847,746.03
09-28-11	09-29-11	500,000	Bank of Nova Scotia BA .95%% due October 19, 2011	99.95	499,727.00
09-28-11	09-29-11	650,000	Canada Treasury Bill 0.71% due November 24, 2011	99.89	649,279.80
09-28-11	09-29-11	2,000,000	Canada Treasury Bill 0.72% due December 22, 2011	99.83	1,996,652.00
09-28-11	09-29-11	1,000,000	FirstBank BA .95% due October 21, 2011	99.94	999,408.00
09-28-11	09-29-11	1,000,000	Royal Bank BA .95% due October 25, 2011	99.93	999,298.00
09-28-11	09-29-11	440,000	Toronto Dominion Bank BA .95% due October 25, 2011	99.93	439,691.12
					32,170,359.25

SALES

07-07-11	07-07-11	1,550,000	Canada Treasury Bill .76% due July 7, 2011	100.00	1,550,000.00
07-14-11	07-14-11	300,000	CIBC BA 1.00% due July 14, 2011	100.00	300,000.00
07-14-11	07-14-11	500,000	CIBC BA 1.05% due July 14, 2011	100.00	500,000.00
07-21-11	07-21-11	1,240,000	Canada Treasury Bill .82% due July 21, 2011	100.00	1,240,000.00
07-22-11	07-22-11	600,000	Royal Bank BA 1.00% due July 22, 2011	100.00	600,000.00
07-25-11	07-25-11	775,000	Toronto Dominion Bank BA 1.00% due July 25, 2011	100.00	775,000.00
07-26-11	07-26-11	1,850,000	Bank of Nova Scotia BA 1.05% due July 26, 2011	100.00	1,850,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
07-29-11	07-29-11	1,000,000	FirstBank BA 1.0% due July 29, 2011	100.00	1,000,000.00
08-04-11	08-04-11	1,200,000	Canada Treasury Bill .83% due August 4, 2011	100.00	1,200,000.00
08-05-11	08-05-11	150,000	CIBC BA .95% due August 5, 2011	100.00	150,000.00
08-05-11	08-05-11	1,000,000	CIBC BA 1% due August 5, 2011	100.00	1,000,000.00
08-09-11	08-09-11	1,500,000	Toronto Dominion Bank BA 1.05% due August 9, 2011	100.00	1,500,000.00
08-11-11	08-11-11	800,000	CIBC BA .95% due August 11, 2011	100.00	800,000.00
08-17-11	08-17-11	775,000	Royal Bank BA .95% due August 17, 2011	100.00	775,000.00
08-18-11	08-18-11	600,000	Canada Treasury Bill .75% due August 18, 2011	100.00	600,000.00
08-18-11	08-18-11	1,230,000	Canada Treasury Bill .79% due August 18, 2011	100.00	1,230,000.00
08-22-11	08-22-11	600,000	FirstBank BA .95% due August 22, 2011	100.00	600,000.00
08-26-11	08-26-11	550,000	CIBC BA 1.00% due August 26, 2011	100.00	550,000.00
09-01-11	09-01-11	2,685,000	Canada Treasury Bill .85% due September 1, 2011	100.00	2,685,000.00
09-08-11	09-08-11	860,000	CIBC BA 1.05% due September 8, 2011	100.00	860,000.00
09-09-11	09-09-11	950,000	Toronto Dominion Bank BA .95% due September 9, 2011	100.00	950,000.00
09-15-11	09-15-11	3,140,000	Canada Housing Trust Res. due September 15, 2011	100.00	3,140,000.00
09-15-11	09-15-11	1,000,000	FirstBank BA .95% due September 15, 2011	100.00	1,000,000.00
09-20-11	09-20-11	645,000	Royal Bank BA .95% due September 20, 2011	100.00	645,000.00
09-29-11	09-29-11	1,550,000	Canada Treasury Bill .81% due September 29, 2011	100.00	1,550,000.00
					27,050,000.00

This page intentionally left blank.

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Cash Balance at July 1, 2011		5,795.15
ADD: Proceeds from Sales	27,050,000.00	
Capital Added	4,000,000.00	
Interest on Balance	125.06	
Transfer from Long Term Investment Fund	763,255.67	
Bond Interest Credited (from Long Term Investment Fund)	405,398.77	
Bond Interest Credited (from Short Term Investment Fund)	0.00	<u>32,218,779.50</u>
		32,224,574.65
LESS: Cost of Purchases	32,170,359.25	
Investment Counsel Fees - Short Term Investment Fund	5,503.45	
Investment Counsel Fees - Long Term Investment Fund	31,241.29	
Trust Company Charges	11,311.76	<u>32,218,415.75</u>
Cash Balance at September 30, 2011		6,158.90

Martin, Lucas & Seagram Ltd.
SECURITIES ADDED
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-11 to 09-30-11

SECURITIES ADDED

<u>Trade Date</u>	<u>Settle Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Unit Price</u>	<u>Market Value</u>
07-01-11	07-01-11	1,200,000	Ontario 4.4% due December 2, 2011	101.30	1,215,900.00
					1,215,900.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
09-21-11	09-26-11	200,000	Bank of Montreal 3.103% due March 10, 2016	103.37	206,734.00
09-21-11	09-26-11	500,000	Bank of Montreal Dep. Note 3.49% due June 10, 2016	104.92	524,575.00
					731,309.00
SALES					
09-15-11	09-15-11	1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	100.00	1,500,000.00
					1,500,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-11 To 09-30-11

Cash Balance at July 1, 2011			0.00
ADD: Proceeds from Sale			<u>1,500,000.00</u>
			1,500,000.00
LESS: Cost of Purchases	731,309.00		
Accrued Bond Interest on Purchases	5,435.33		
Transfer to Short Term Investment Fund	<u>763,255.67</u>	1,500,000.00	
Cash Balance at September 30, 2011			0.00

Martin, Lucas & Seagram Ltd.
SECURITIES WITHDRAWN
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-11 to 09-30-11

SECURITIES WITHDRAWN

Trade Date	Settle Date	Quantity	Security	Unit Price	Market Value
07-01-11	07-01-11	1,200,000	Ontario 4.4% due December 2, 2011	101.30	1,215,900.00
					1,215,900.00