

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

Minutes of a Meeting of the Advisory Board

**Torys LLP
32nd Floor,
79 Wellington Street West
Toronto, Ontario**

Tuesday, September 18, 2007

Present:

Michael Thorley (Chairman)	Torys LLP
Julia Holland	Torys LLP
Gordon Goodman	Cassels, Brock & Blackwell LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
William Scott	McCarthy Tetrault LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Les O'Connor	WeirFoulds LLP
Nicolas Leblovic	Davies Ward Phillips & Vineberg LLP
Barry Bresner	Borden Ladner Gervais LLP
Emilie Kydd	Lang Michener LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	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 19, 2007 Meeting of the Advisory Board

It was moved by Gale Rubenstein and seconded by Donald Milner that the minutes of the June 17, 2007 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

Items arising from the minutes will be dealt with later in the agenda.

The Chairman informed the meeting that, with the departure of Goodman and Carr, and consequently Warren Mueller, Glenn Leslie had agreed to become a member of the Claims Committee replacing Mr. Mueller.

5. Report of the Risk Management Committee

Bill Scott reported to the Board. As a result of discussions at past Board meetings about the proposed guidelines regarding securities trading, John Walker was retained to analyse the issue further. His memorandum has been circulated for input and is being finalized.

The Osler audit is underway and should be completed in the next month. The Lang Michener audit will follow and should be close to complete by the December Board meeting.

The next task for the Committee is to report on templates for risk management and education. John Walker has been gathering information from various sources. The Board will need to consider whether the templates, which are meant to be educational, should be a guide for internal purposes or a mandated “Best Practices” framework. Some firms have provided information regarding the types of templates that they are currently using.

The reinsurers have made it clear to us that they support these initiatives.

6. Report of the General Manager’s Office

June 30, 2007 Financial Statements

Patrick Mahoney reviewed the June 30, 2007 Management Report. He noted that surplus is accumulating. He also pointed out that the comparative figures for June 30, 2006 included a provision posted for the reinsurance dispute which was reversed at year end after discussions with auditors.

Mr. Mahoney also reviewed Exhibit III, the Operating Budget Variance. Expenses are generally unfolding as expected. He noted that the Special Services line will likely finish the year well over budget due in particular to two items:

- the cost of the arbitration on the ongoing coverage dispute with one of the reinsurers (which may be recoverable if successful),
- Quebec QST opinion

Mr. Mahoney advised that a written opinion on the QST issue had not yet been received but that the verbal advice to date has been favourable.

Reinsurance Placement

Patrick Mahoney reviewed Joe Tontini’s memorandum of September 6, 2007. The placement and terms were finalized along the lines of the report provided to the Board at

their June meeting. Highlights include:

- rate reduction of 17%
- an increase in retention on the first reinsured layer (from 20% to 30%) resulting in an increase in the overall per claim maximum retention from \$9,750,000 to \$10,500,000
- reduction in per firm aggregate on the primary \$5 million layer from \$25,000,000 to \$12,000,000

Included in the memorandum of September 6, 2007 is a summary of the security ratings for the CLLAS reinsurers, as well as an exhibit on compliance with FSCO reinsurance guidelines.

FSCO Annual Examination

Mr. Mahoney advised that the FSCO examiner had called to advise that no physical audit will take place this year.

7. Report of the Claims Committee

Barry Bresner reported to the Board. While the Committee is monitoring a number of claims, it has been quiet so far this year in terms of settlements. The coverage arbitration is moving forward in early December. Claims and reserves are being reviewed regularly by the Committee.

8. Report of the Policy Committee

Nicolas Leblovic reported to the Board. “CLLAS International” has been created by the HUB group to provide coverage for firms with material exposure outside Canada. He noted that the Committee should review the wording of the CLLAS International policy during the year, in advance of the next renewal.

Mr. Leblovic also suggested it would be appropriate to undertake a review of the CLLAS policy.

9. June 30, 2007 Investment Manager’s Report

This was an information item only. None of the CLLAS investments is being directly affected by the “sub-prime” crisis although short-term investments are being rolled into T-bills as they mature. This defensive measure will dampen returns on the short-term fund but seems appropriately cautious. It was suggested that Dion Durrell be asked to conduct a benchmarking exercise on the performance of the fund manager. The Chair was asked to discuss this matter further with Dion Durrell.

10. Other Business

No other business.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on December 11, 2007.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

Minutes of a Meeting of the Advisory Board

**Torys LLP
28th Floor, Maritime Life Tower
79 Wellington Street West
Toronto, Ontario**

Tuesday, June 19, 2007

Present:

Michael Thorley (Chairman)	Torys LLP
Julie Holland	Torys LLP
Jamie Dunbar	Fraser Milner Casgrain LLP
Caroline Zayid	McCarthy Tetrault LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Rick Storrey	Goodmans LLP
Carol Lyons	Lang Michener LLP
Les O'Connor	WeirFoulds LLP
Richard Prupas	Blake Cassels & Graydon LLP
Nick Leblovic	Davies Ward Phillips & Vineberg LLP
Barry Bresner	Borden Ladner Gervais LLP
Paul Macdonald	McMillan Binch Mendelsohn LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates
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 February 27, 2007 Meeting of the Advisory Board

It was moved by Barry Bresner seconded by Richard Prupas that the minutes of the February 27, 2007 meeting of the Advisory Board be approved. The motion was carried unanimously.

Approval of Minutes of the May 16, 2007 Meeting of the Advisory Board

It was moved by Carol Lyons and seconded by Barry Bresner that the minutes of the May 16, 2007 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

The Chairman provided a brief report on his trip to London to meet with reinsurers on the CLLAS program. Nick Leblovic also attended as in-coming Chair and the reinsurers were happy for the opportunity to meet with Mr. Leblovic. Indications are that virtually all current participants will remain and that they continue to consider CLLAS a preferred risk. Pricing, however, will be the main issue. As has happened in the past, some reinsurers are requesting financial information on the firms. CLLAS continues to resist this request and so far the reinsurers have not pushed further.

5. Report of the Claims Committee

Barry Bresner reviewed the claims report at March 31, 2007, which was handed out at the meeting. The Committee is currently keeping watch on claim numbers 1, 3, 9, 10 and 12. Claim number 2 will come off the list at the time of our next report. Claim number 3 will go to a coverage arbitration in December 2007. The actual date is yet to be firmed up.

The General Manager's office has implemented a process whereby a quarterly conference call with Miller Insurance and varies brokers takes place after the quarterly reports are distributed. This additional interaction with the markets is intended to forestall any misunderstandings on a going forward basis with respect to claim developments.

6. Report of the Policy Committee

Nick Leblovic reported to the Board. For July 1, 2007 there as been a minor refinement of the definition of "Insured" in the CLLAS wording. This was discussed during the trip to London and none of the reinsurers raised any objections to the change.

There maybe some discussion on U.S. coverages down the road but no changes for July 1st.

7. Pro-Form Insurance Services

Bob Wilson joined the meeting to present the excess insurance renewal terms. All of the current Insurers participating on the excess program have agreed to continue their existing participation for the upcoming year. In addition all markets have agreed to a rate reduction of 15%.

Policy wordings will renew per expiring.

Mr. Wilson further advised on the establishment of a new programs for those firms who have more than incidental out of country exposure and this facility has been established as "CLLAS International". Policy wording is not yet available. Coverage highlights include:

- \$250,000 deductible
- \$30 million U.S. coverage limits including U.K. law
- Primary – worldwide coverage, (quota share)

The key issue in drafting the policy language will be the description of professional services and the requirement to wrap-around the CLLAS exclusions.

This new coverage does not replace the current drop-down coverage.

Pro-Form, as in the past, will proceed to renew the coverage for the individual CLLAS firms based on the limits currently purchased and based on the final headcount provided to the General Manager's office of CLLAS. The firms were asked to notify Mr. Wilson directly of any changes to the limits that they would like to arrange for the July 1, 2007 renewal.

Mr. Wilson also reported that Hub International had been sold to a London market who was looking to buy a brokerage. This will not result in any changes to the services being provided to CLLAS.

Mr. Wilson then left the meeting.

8. Reinsurance Renewal

Joe Tontini presented the July 1, 2007 renewal terms received to date to the Board and reviewed his presentation of June 19, 2007, copies of which were handed out at the meeting. The placement for July 1st is expected to be completed shortly, without any loss of existing markets. In addition, new markets are being sought out to secure the best possible rates.

Further to the May 16, 2007 Board meeting, since rate decrease indications in Layers 1 and 2 are less than 15% consideration should be given to increasing the retention in these layers. After much discussion including consideration of the possibility of collapsing layers, the consensus was to authorize an increase in retention on Layer 1 by not more than 10%. CLLAS' actuaries will still need to be consulted with respect to an increased retention as the resulting increase may have an impact on the build-up of surplus.

In addition, Mr. Tontini reminded the Board that the overall aggregate had been reduced from \$25 million to \$12 million.

If CLLAS chooses an increased retention then this would have an effect on the stop-loss coverage purchased via Colchester. As it currently stands no changes are contemplated. We have been advised that Colchester will continue to purchase retrocession protection for the \$20,000,000 excess \$20,000,000. It is anticipated this rate will decrease slightly.

No changes to the Umbrella excess coverage.

9. Report of the General Manager's Office

March 31, 2007 Financial Statements

Patrick Mahoney reviewed the March 31, 2007 Management Report. Claims activity has the greatest impact on the Balance Sheet and with the relatively quiet period there has not been much change to the results.

On the Balance Sheet the \$11.8 million surplus number included \$220,000 unrealized gains brought about by the change in the financial reporting requirements.

The Income Statements highlights a net gain of just over \$1 million as a result of the reflection of another quarter of earned premium, the change in the IBNR/Case Reserves and operating expenses.

CLLAS's current surplus is in the range suggested by the actuaries (a minimum target in the range of \$11 to \$13 million). Should the decision be taken to increasing CLLAS' retention on Layer 1 by the 10% authorized further consultation will take place with the actuaries to confirm what if any impact this will have on their analysis relating to target surplus.

QST (Quebec Sales Tax)

This item is specific to those firms who have branch offices in Quebec. As reported in February some of the branch offices have been audited by the Sales Tax branch of the Ministry of Finance in Quebec.

The decision not to collect QST was taken in 1991. CLLAS retained Fasken's to give an opinion and they were retained to provide an updated opinion. Verbally they have reported that CLLAS is correct in its position of not collecting QST. Once the written opinion has been received a review of next steps will be undertaken.

Administrative Matters Relating to the Dissolution of Goodman and Carr LLP

Patrick Mahoney reviewed with the Board the current situation with respect to the dissolution of Goodman and Carr LLP (G&C).

Further to the May 16, 2007 Board meeting the General Manager's office of CLLAS communicated with G&C that given the long-tail nature of CLLAS' liabilities, it is appropriate to retain their contribution to surplus until at least June 30, 2012, as provided for in the Subscribers Agreement.

G&C were offered an extended reporting period ("ERP") on its 2006/07 policy on the following terms:

- ERP to be made available on the \$5MM/25MM primary policy (policy no. 17006) only;
- ERP of 1, 2, 3 or 5 years to be offered at the election of G&C;
- Premium to be calculated at the actuarially determined cost plus a reasonable risk margin as discussed at the meeting;
- ERP to be offered on a firm-wide basis only, but premium to be adjusted to take into account the fact that a number of lawyers have moved directly to other CLLAS firms.

They were also reminded that they had the option of exercising the ERP described in the various expiring policies. These options have not yet been declined but it does not appear likely that any ERP will be elected.

The Board, at the May meeting, also asked the General Manager's office to investigate the provision of prior acts cover for those lawyers who transferred from G&C directly to other CLLAS firms.

This approach would cover all ex-G&C lawyers that are currently with CLLAS firms, including those that joined prior to July 1, 2006 for a nominal fee that would cover any vicarious liability, provided that they are named on the appropriate endorsement. It is anticipated that this coverage include all policies and would therefore need the agreement of Ace and Liberty in the layers placed by Bob Wilson at ProForm and the CLLAS reinsurers.

The Board agreed to give the General Manager's office flexibility to conclude the arrangements and asked that an update be provided as soon as practicable to the Board representatives.

10. Report of the Risk Management Committee

The Chair reported on this item in Bill Scott's absence.

An audit is currently underway at Oslers. Lang Michener has agreed to proceed with an audit in the Fall.

Updated guidelines for trading in publicly held securities will be provided shortly. There was a question raised when the initial draft was circulated as to the appropriateness of and need for these guidelines. The Board concluded that firms are exposed and thus so is the CLLAS policy and therefore suggested guidelines are appropriate.

Associates from various firms are now assisting John Walker in creating templates for use by CLLAS firms.

On a final note, the Committee is considering rolling audits for the firms. The first audit would create a benchmark with a second taking place 3 years later to be measured against the first.

Mr. Thorley reported that the reinsurers expressed their support of the audits being an ongoing item.

11. March 31, 2007 Investment Manager's Report

This was an information item only.

12. Other Business

There was no further business.

13. Next Meeting

The next regularly scheduled meeting of the Board will be on September 18, 2007.

There being no further business, the meeting was terminated.

Chairman

Secretary

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending June 30, 2007

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

June 30, 2007

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
June 30, 2007

	As at <u>June 30, 2007</u>	As at <u>June 30, 2006</u>
ASSETS		
Cash	\$5,682,718	\$6,735,752
Investments		
Short Term	6,046,881	6,157,482
Bonds	24,117,236	11,928,957
Interest income due and accrued	210,011	121,662
Premiums receivable	(0)	(0)
Unearned reinsurance premium ceded	0	(0)
Prepaid Expenses	543,735	496,435
Deferred policy acquisition costs	0	0
Reinsurance recoverable	10,252,278	9,859,519
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	48,620,000	50,011,000
Total Assets	\$95,472,859	\$85,310,807
LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$79,324,000	\$72,040,000
Provision for unpaid premium liabilities	\$3,789,774	\$3,789,774
Unearned premium	0	0
Due to reinsurers	0	0
Accounts payable & accrued charges	157,286	361,268
Premium taxes payable	0	0
Total Liabilities	83,271,060	76,191,042
SUBSCRIBERS' EQUITY		
Surplus	12,519,887	9,119,765
Accumulated Other Comprehensive Income (Loss),	(318,087)	0
	12,201,799	9,119,765
TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	\$95,472,859	\$85,310,807

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED June 30, 2007

	Year to date Jan. 2007 to <u>June-07</u>	Previous year Jan. 2006 to <u>June-06</u>
Written premium	\$0	\$0
Gross Written Premiums	0	0
Less: Reinsurance Ceded	0	0
Net Written Premiums	0	0
Change in Unearned Premiums	6,112,820	3,103,806
Earned Premiums	6,112,820	3,103,806
Claims Paid	95,962	7,500,757
Change in IBNR	2,562,000	(58,000)
Change in Case Reserve	1,201,000	(7,809,000)
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	3,858,962	(366,243)
Management and Operating Expenses	755,615	2,543,009
Reinsurance Fees	132,500	117,500
Premium Taxes	500,342	141,375
Total Operating Expenses	1,388,457	2,801,884
Underwriting Gain (Loss)	865,401	668,165
Investment Income	824,056	696,244
Net Gain (Loss)	\$1,689,457	\$1,364,409
Subscribers' Equity - Beginning of Period	\$10,830,429	\$7,755,356
Less: Prior period adjustment	\$0	\$0
Subscribers' Equity - End of Period	\$12,519,887	\$9,119,765

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED June 30, 2007**

	Year to date Jan. 2007 to <u>June-07</u>	Previous year Jan. 2006 to <u>June-06</u>
Net Income	\$1,689,457	\$0
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	(566,133)	0
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	(566,133)	0
Total Comprehensive Income (Loss)	<u>1,123,324</u>	<u>0</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$0	\$0
Change in accounting policy	248,045	0
Net change in other comprehensive income	(566,133)	0
Balance at end of period	<u>(318,087)</u>	<u>0</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE SIX MONTHS ENDED June 30, 2007

	Annual Budget	Year to Date Budget		Year to Date Actual	Fav/(Unfav) Variance
		%	\$	\$	\$
		Accrued to Date			
MANAGEMENT SERVICES	355,000	50%	177,500	169,062	8,438
PROFESSIONAL SERVICES					
Actuarial Services	90,000	67%	60,300	67,836	(7,536)
Reinsurance Matters	250,000	67%	167,500	194,238	(26,738)
Strategic Matters	95,000	67%	63,650	66,122	(2,472)
Special, non-recurring	0	67%	0	0	0
Sub-Total Professional Services	435,000		291,450	328,196	(36,746)
Total Management & Professional Services *	790,000		468,950	497,258	(28,308)
(See Note 1)					
GST on Consulting Fees	47,400	50%	23,700	29,835	(6,135)
Total Consulting Services	837,400		492,650	527,094	(34,444)
OTHER EXPENSES					
Audit Expenses	50,000	50%	25,000	26,138	(1,138)
Annual Dinner	5,000	100%	5,000	5,040	(40)
Premium Taxes	1,000,684	50%	500,342	500,342	(0)
Chairman's Expenses	1,500	50%	750	709	41
Chairman's Honourium	60,000	100%	60,000	60,000	0
Reinsurance Expense	10,000	50%	5,000	7,799	(2,799)
Office Expenses	15,000	50%	7,500	3,496	4,004
Claims: Borderaux (LSUC)	13,850	50%	6,925	1,250	5,675
Special Services	40,000	50%	20,000	36,640	(16,640)
Miller Insurance Fees (Reins. Comm.) (See Note 2)	265,000	50%	132,500	132,500	0
I.B.C Statistical Plan Fees	12,000	50%	6,000	4,786	1,214
FSCO Assessment Fees	7,700	50%	3,850	6,259	(2,409)
Investment counsel fees	82,150	50%	41,075	42,234	(1,159)
Investment - Custodial	20,000	50%	10,000	11,620	(1,620)
Risk Management/Loss Prevention	80,000	50%	40,000	22,550	17,450
Sub-total	1,662,884		863,942	861,364	2,578
TOTAL	\$2,500,284		\$1,356,592	\$1,388,457	(31,865)

* NOTE 1: 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	25%
Second Quarter, ending June 30th	42%
Third Quarter, ending September 30th	18%
Fourth Quarter, ending December 31st	15%
	<u>100%</u>

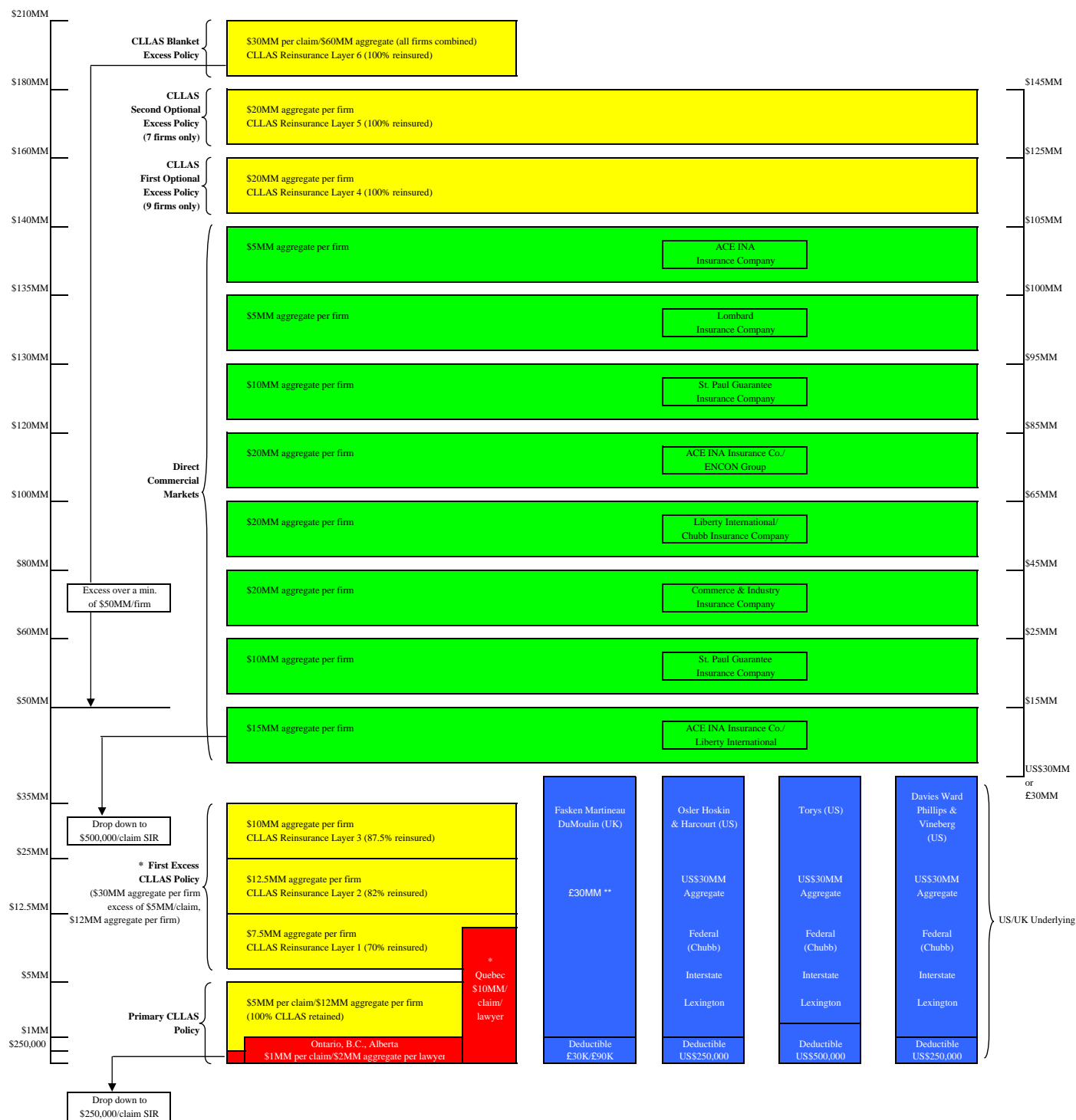
* NOTE 2: MILLER INSURANCE FEES (Reins. Comm.)

The annual budget is based upon the annual fee estimated for the policy period 2007/2008.
The year to date actual includes the fees billed for the third & fourth quarter of 2006/2007

CLLAS LIMIT STRUCTURE
JULY 1, 2007 - JULY 1, 2008

Canadian Exposures

US Exposures



* The First Excess CLLAS Policy is excess of \$10MM/claim in Quebec.

** The FMD UK underlying policies are being renewed. No details are available yet but it is assumed that the firm will purchase the same limit with the same deductible as expiring.

Notes: All limits are expressed in Canadian currency unless otherwise specified.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)				2007-2008 REINSURANCE CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2007 \1															Exhibit B		
		LAYER 1 \$7.5MM XS \$5MM		LAYER 2 \$12.5MM XS \$12.5MM		LAYER 3 \$10MM XS \$25MM		LAYER 4 \$20MM XS \$140MM		LAYER 5 \$20MM XS \$160MM		LAYER 6 \$30/60MM XS MIN \$50MM									
REINSURERS		SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	DUE JUL.15, 2007\2	DUE SEP. 1, 2007\3	DUE OCT. 1, 2007\3	DUE JAN.1, 2008\4	DUE APR. 1, 2008\3	GRAND TOTAL		
TOTAL PROPORTIONAL		100.00%	\$8,063,640	100.00%	\$5,872,650	100.00%	\$1,988,999	100.00%	\$679,995	100.00%	\$410,002	100.00%	\$1,027,107						18,042,393		
CLLAS PROPORTIONAL RETENTION		30.00%	\$2,419,092	18.00%	\$1,057,077	12.50%	\$248,625	0.00%	\$0	0.00%	\$0	0.00%	\$0						3,724,794		
PROPORTIONAL REINSURERS																					
Lloyd's		25.50%	\$2,056,228	20.50%	\$1,203,893	40.91%	\$813,699	11.00%	\$74,799	50.00%	\$205,001	55.00%	\$564,909		1,229,632	1,229,632	1,229,632	1,229,632	4,918,529		
London Companies																					
Transatlantic Re (Can. Lic.)		12.50%	\$1,007,955	12.50%	\$734,081										435,509	435,509	435,509	435,509	1,742,036		
Hannover Ruck. (Can. Lic.)				16.00%	\$939,624									469,812			469,812		939,624		
Aspen Re (Can.Lic.)		12.00%	\$967,637	11.00%	\$645,992	9.09%	\$180,800							897,215			897,215		1,794,429		
Sub-Total London Cos.		24.50%	\$1,975,592	39.50%	\$2,319,697	9.09%	\$180,800	0.00%	\$0	0.00%	\$0	0.00%	\$0		1,119,022	1,119,022	1,119,022	1,119,022	4,476,089		
Total London Market		50.00%	\$4,031,820	60.00%	\$3,523,590	50.00%	\$994,500	11.00%	\$74,799	50.00%	\$205,001	55.00%	\$564,909		2,348,655	2,348,655	2,348,655	2,348,655	9,394,618		
Payable to Miller															1,665,141	1,665,141	1,665,141	1,665,141	6,660,565		
Payable to Hannover Ruck. Payable to Aspen Re														469,812 897,215			469,812 897,215		939,624 1,794,429		
Canadian Companies																					
Arch Insurance Company of Canada		12.50%	\$1,007,955											503,978			503,978		1,007,955		
AWAC (not Can. Lic.)								64.00%	\$435,197					217,599			217,599		435,197		
CRC (Bermuda) Reinsurance Limited (not Can. Lic.)		5.00%	\$403,182	5.00%	\$293,633									348,408			348,408		696,815		
GCAN Insurance Company										25.00%	\$102,501			51,251			51,251		102,501		
Scor Reinsurance				6.00%	\$352,359	12.50%	\$248,625					10.00%	\$102,711	351,848			351,848		703,695		
Swiss Re. Co. Canada						25.00%	\$497,250	25.00%	\$169,999	25.00%	\$102,501	35.00%	\$359,487	564,619			564,619		1,129,237		
TOA Re		2.50%	\$201,591	2.50%	\$146,816									174,204			174,204		348,407		
Transatlantic Re				8.50%	\$499,175									249,588			249,588		499,175		
Sub-Total Canadian Cos.		20.00%	\$1,612,728	22.00%	\$1,291,983	37.50%	\$745,875	89.00%	\$605,196	50.00%	\$205,002	45.00%	\$462,198	2,461,491			2,461,491		4,922,982		
TOTAL PROPORTIONAL REINSURERS		70.00%	\$5,644,548	82.00%	\$4,815,573	87.50%	\$1,740,375	100.00%	\$679,995	100.00%	\$410,003	100.00%	\$1,027,107	2,461,491	2,348,655	2,348,655	4,810,146	2,348,655	14,317,600		
AGGREGATE STOP-LOSS REINSURERS																					
Colchester														1,300,374			1,300,374		2,600,748		
TOTAL REINSURANCE COST														3,761,865	2,348,655	2,348,655	6,110,520	2,348,655	16,918,348		
PROPORTIONAL REINSURANCE																					
Rate per Lawyer		\$1,840		\$1,300		\$445		\$162		\$145		\$218									
Rate per Quebec Lawyer		\$1,120		\$1,000		\$317		N/A		N/A		N/A									
Total # Lawyers other than Quebec at 7/1/07		3823		3823		3823		3237		2181		3823							3,823		
Total # Quebec Lawyers at 7/1/07		841		841		841		797		500		841							841		
Total # US/UK Lawyers at 7/1/07 \5		0		0		0		119		119		0							119		
Total # NLC at Lawyer Rate at 7/1/07 \6		18		18		18		17		13		18							18		
Rate per P&T Agent \7		\$920		\$650		\$223		\$81		\$73		\$109									
Total # P&T Agents at 7/1/07		49		49		49		47		25		49							49		
Total # NLC at P&T Rate at 7/1/07		10		10		10		8		4		10							10		
R/I Licensed		65.00%	\$5,241,366	77.00%	\$4,521,941	87.50%	\$1,740,374	36.00%	\$244,798	100.00%	\$410,002	100.00%	\$1,027,107						13,185,588		
R/I Unlicensed		5.00%	\$403,182	5.00%	\$293,633	0.00%	\$0	64.00%	\$435,197	0.00%	\$0	0.00%	\$0						3,732,760		
NLC = Non-lawyer Consultant																					
NOTES: \1 This is an information document, not an accounting ledger.																					
\2 Semi-annual instalment for Canadian Companies and Colchester.																					
\3 Quarterly instalment for Miller. Fund should be sent to Miller with about 2 weeks lead time.																					
\4 Semi-annual instalment for Canadian Companies and Colchester and quarterly instalment for Miller. Fund should be sent to Miller with about 2 weeks lead time.																					
\5 These are OHH, Torgs & DWPV lawyers in the US and FMD lawyers in UK. They are not covered by Layers 1, 2, 3, 6 and Colchester.																					
\6 For Layers 1, 2 and 3, the rate for NLC in all provinces is the same as the rate for lawyers in provinces other than Quebec.																					
\7 Applicable in all provinces.																					
SPECIAL NOTE: CLLAS RETAINED 100% OF THE FIRST \$4MM XS \$1MM LAYER SINCE JULY 1, 2002.																					
CLLAS RETAINED 30% OF LAYER 1 SINCE JULY 1, 2007.																					

Exhibit C**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY****2007/2008 Reinsurers Security Rating
as at September 6, 2007**

Reinsurer	A.M. Best Rating	S&P Rating
Lloyd's	A (Excellent)	A+ (Strong)
Aspen Re	A (Excellent)	A (Strong)
Hannover Ruck	A (Excellent)	AA- (Very Strong)
Arch Insurance Company of Canada	A (Excellent)	A (Strong)
Allied World Assurance Company Ltd.	A (Excellent)	A- (Strong)
CRC (Bermuda) Reinsurance Ltd.	A (Excellent)	Rating Not Available
GCAN Insurance Company	A (Excellent)	BBB (Good)
SCOR Canada Reinsurance Company	A- (Excellent)	A- (Strong)
Swiss Reinsurance Company Canada	A+ (Superior)	AA- (Very Strong)
Toa Reinsurance Company of America	A (Excellent)	A+ (Strong)
Transatlantic Reinsurance Company	A+ (Superior)	AA- (Very Strong)

Colchester Aggregate Stop-Loss Protection
July 1, 2007-2008

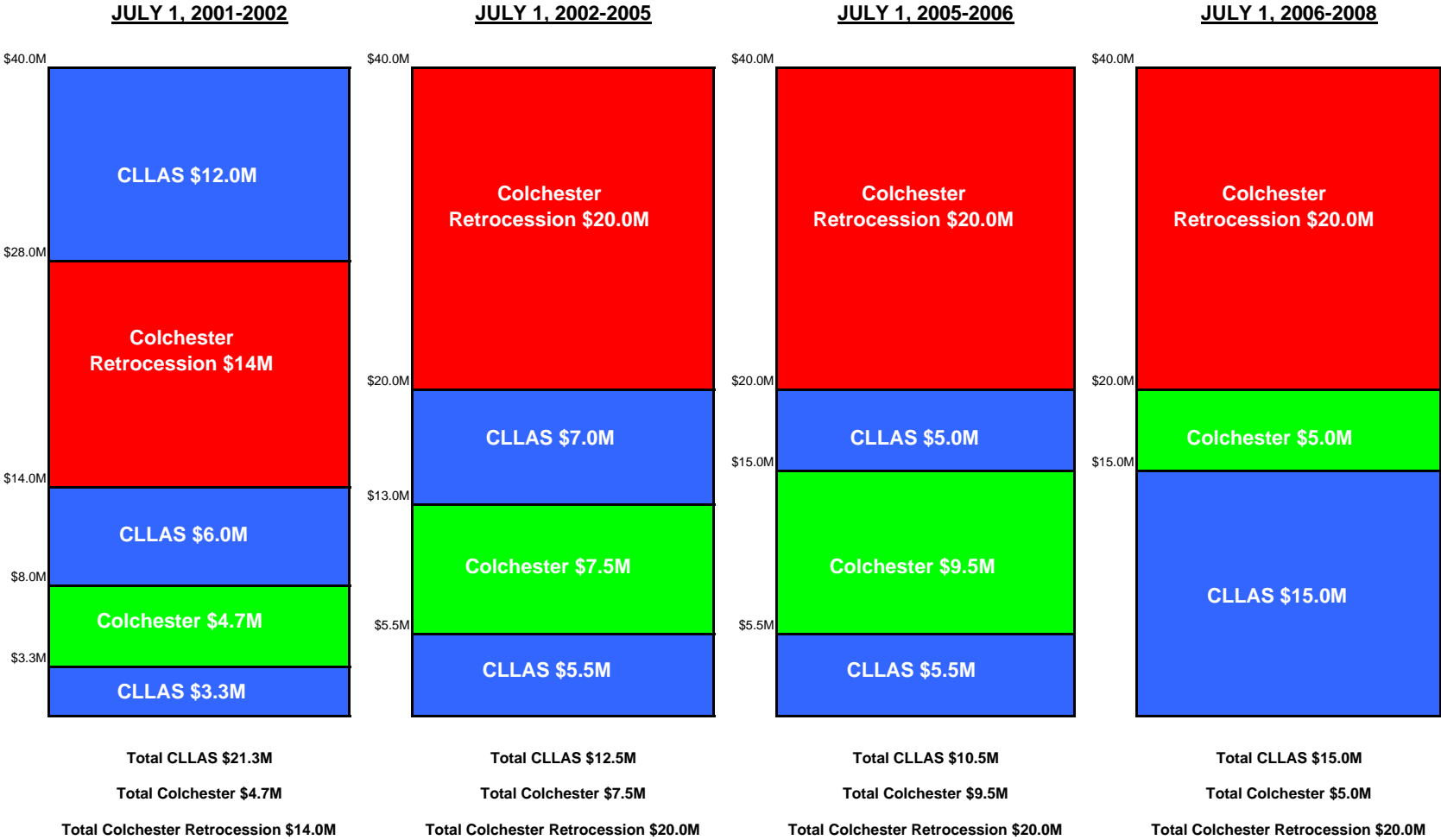


										Exhibit E
COLCHESTER REINSURANCE LIMITED										
AGGREGATE STOP-LOSS RETROCESSION PROTECTION										
2007-2008 CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2007 \1										

2007 EXHIBIT

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

REINSURANCE CEDED
FINANCIAL SERVICES COMMISSION OF ONTARIO GUIDELINES

	CALENDAR YEAR 2007	RATIO OF DIRECT PREMIUM
A. 2007/2008 CONTINGENCY RESERVE ADJUSTMENT	\$101,720	
B. 2007/2008 PREMIUM FOR LAWYERS	\$25,358,306	
C. 2007/2008 GOODMAN AND CARR LATERAL HIRE EXTENSION ENDORSEMENT PREMIUM	\$47,600	
D. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$772,458	
E. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$464,800	
F. 2007/2008 PREMIUM FOR P&T AGENTS	\$145,628	
G. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$4,371	
H. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$2,075	
I. 2007/2008 PREMIUM FOR NON-LAWYER CONSULTANTS	\$136,694	
J. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,906	
K. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$2,490	
L. DIRECT WRITTEN PREMIUM	\$27,040,048	100.0%
M. REGISTERED REINSURANCE		
N. PROPORTIONAL REINSURANCE	\$13,185,588	
O. AGGREGATE REINSURANCE	\$0	
P. TOTAL REGISTERED REINSURANCE	\$13,185,588	48.8%
Q. UNREGISTERED REINSURANCE		
R. PROPORTIONAL REINSURANCE	\$1,132,012	
S. AGGREGATE REINSURANCE	\$2,600,748	
T. TOTAL UNREGISTERED REINSURANCE	\$3,732,760	13.8%
U. TOTAL REINSURANCE	\$16,918,348	62.6%

Notes:

T. The FSCO guideline for unregistered reinsurance is 25% (maximum).

U. The FSCO guideline for total reinsurance is 75% (maximum).

P R I V A T E & C O N F I D E N T I A L
M E M O R A N D U M

Date: September 6, 2007

To: David Morritt
William Scott
Donald Milner
Gordon Goodman
Les O'Connor
Nicholas Leblovic
Michael Thorley

Barry Bresner
Daniel MacDonald
Chris Woodbury/Jamie Dunbar
Glenn Leslie
Gale Rubenstein
Carol Lyons

Copy: Patrick Mahoney

From: Joe Tontini

Re: CLLAS Rating and Reinsurance Placement
July 1, 2007/2008

The purpose of this report is to provide the CLLAS Board with a final summary of the rating and reinsurance placement for July 1, 2007/2008. For ease of reference, we have attached the following updated exhibits:

- A. CLLAS Limit Structure
- B. CLLAS Reinsurance Schedule
- C. CLLAS Reinsurance Security Ratings (as of September 6, 2007)
- D. Colchester Limit Structure
- E. Colchester Retrocession Protection Schedule
- F. FSCO Reinsurance Guidelines

Highlights

- CLLAS year over year insurance rate reductions ranged from 14% on the umbrella policy to as high as 29% for Quebec lawyers on the \$30,000,000 limit policy.
- The overall rate reduction was around 17%.
- Reinsurance rate reductions were realized in all layers (13% to 15%) except for Reinsurance Layer 1 where a status quo renewal rate was agreed.

- At its May 2007 meeting, the Board authorized CLLAS to continue to use \$15,000,000 as the maximum amount of liability that it may retain on its own account for any one loss to allow more flexibility in negotiating the best possible reinsurance rates for its members.
- CLLAS did use some of this authorization in Reinsurance Layer 1 where CLLAS increased its retention from 20% to 30%, thus increasing CLLAS' maximum retention in any one loss from \$9,750,000 to \$10,500,000.
- CLLAS managed to reduce its aggregate annual retention on the primary \$5,000,000 of coverage to \$12,000,000 from \$25,000,000 each firm at no additional cost to CLLAS members.
- CLLAS has been able to secure a lower reinsurance rate for Quebec lawyers on Reinsurance Layers 1, 2 and 3 when in the past the lower rate was only applicable to Layer 1.
- The CLLAS reinsurers are virtually unchanged from last year with minor adjustments in participation. Security ratings remain strong with upgrades for a number of the reinsurers including Lloyd's, Arch, CRC and Scor Re.
- The Colchester stop-loss protection rate decreased by 35%. Colchester's retrocession protection cost decreased by 8%. Both reductions were realized even though the risk to Colchester actually increased somewhat because of CLLAS' higher single loss retention and lower annual aggregate retention.
- CLLAS is well within FSCO total reinsurance and unregistered reinsurance guidelines.

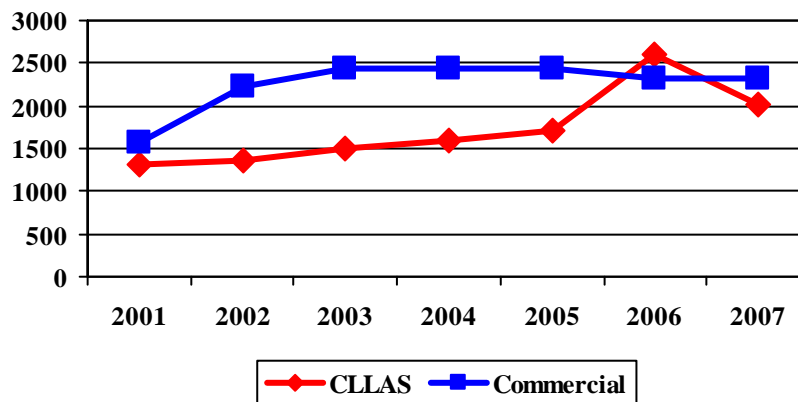
CLLAS Primary Policy – \$5,000,000 per Claim/\$12,000,000 Aggregate

The CLLAS Primary Policy provides coverage per firm of \$5,000,000 per claim, including any underlying coverage provided by the respective law society and/or other mandatory insurance and/or any other insurance arranged on behalf of the firm. If there is no underlying insurance, then CLLAS would provide \$4,750,000 of coverage excess of \$250,000 deductible. The maximum CLLAS retention on any one claim would be \$4,750,000 and the maximum CLLAS annual aggregate retention in the Primary Policy would be \$12,000,000 per firm down from \$25,000,000 in previous years.

There is no reinsurance protection for this layer (other than the aggregate stop-loss protection provided by Colchester) so CLLAS rates the layer on the basis of the actuarially determined expected loss cost with an appropriate allowance for expenses. The most recent actuarially determined discounted loss cost per lawyer for this layer is \$1,384 compared to \$1,575 for the year before. This represents a 12% decrease. In addition to these rates, the CLLAS actuary adds a loading for the possibility of dropping down to \$250,000.

Based on the expected loss costs, for the 2007/2008 policy term, CLLAS members were charged \$2,004 per lawyer and \$1,002 per patent & trademark agent for the CLLAS Primary Policy. Quebec lawyers were charged at \$300 each due to the \$10,000,000 limit of the Barreau du Quebec. The decrease is approximately 23%.

The chart below compares the CLLAS rates for the Primary Policy with coverage from the commercial market for the period 2001 to 2007. The commercial market rates are based on actual rates charged to Ontario law firms on January 1 of each year by an insurer that has held a significant share of the market over the years. We know increased competition has resulted in some firms, particularly in recent years, enjoying somewhat better rates than those set forth below:



For the first five years, based on the chart above, CLLAS rates were on average 32% lower than commercial rates. However, the line crossed in 2006 and the CLLAS rate edged higher than the commercial rate. We believe that the current CLLAS rate is about 15% below this particular insurer but we suspect that some non-CLLAS firms may enjoy slightly better rates for this layer through other insurers. It should be noted that CLLAS coverage is broader in a number of areas compared to the commercial market.

CLLAS First Excess Policy – \$30,000,000 Aggregate Excess of the Primary Policy

The First Excess Policy provides \$30,000,000 aggregate per firm excess of the Primary CLLAS policy of \$5,000,000 or excess of the Quebec mandatory limit of \$10,000,000 and is divided into three layers for reinsurance purposes as follows:

Reinsurance Layer 1

Limit: \$7,500,000 aggregate per firm excess of \$5,000,000
CLLAS Retention: 30% or \$2,250,000 (up from 20% last year)
Rate: \$1,120 per lawyer in Quebec/\$1,840 per lawyer in locations other than Quebec/\$920 per P&T agent in all locations

For comparative purposes, the most recent actuarially determined discounted expected loss costs per lawyer (outside of Quebec) for this layer was \$1,049 compared to \$1,270 the year before or a 17% decrease. Based on this, we expected a decrease from reinsurers but the lead Lloyd's underwriter, Beazley, was adamant about maintaining the same rates as last year. After discussion with the Board, we decided to accept their rates because Beazley did come though for us last year when negotiations were especially challenging due to claims development and the loss of our previous Lloyd's lead. However, we did want to send Beazley a message and again with Board direction we increased CLLAS' retention on this layer from 20% to 30% resulting in a decrease in Beazley's participation.

Reinsurance Layer 2

Limit: \$12,500,000 aggregate per firm excess of \$12,500,000
CLLAS Retention: 18% or \$2,250,000 (unchanged)
Rate: \$1,000 per lawyer in Quebec/\$1,300 per lawyer in locations other than Quebec/\$650 per P&T agent in all locations

A reduced rate for Quebec lawyers was introduced this year. For comparative purposes, the most recent actuarially determined discounted expected loss costs per lawyer (outside of Quebec) for this layer is \$763 compared to \$1,107 the year before or a 31% decrease. We believe that CLLAS received a reasonable rate reduction (13%) reflecting some of the decreased expected loss costs.

Reinsurance Layer 3

Limit: \$10,000,000 aggregate per firm excess of \$25,000,000
CLLAS Retention: 12.5% or \$1,250,000 (unchanged)
Rate: \$317 per lawyer in Quebec/\$445 per lawyer in locations other than Quebec/\$223 per P&T agent in all locations

A reduced rate for Quebec lawyers is introduced this year in this layer as well. For comparative purposes, the most recent actuarially determined discounted expected loss costs per lawyer (outside of Quebec) for this layer is \$309 compared to \$465 the year before or a 34% decrease. We believe that CLLAS received a reasonable rate reduction (15%) reflecting some of the decreased expected loss costs.

CLLAS Policy Premium for the \$30,000,000 First Excess Policy

CLLAS charged its members \$3,689 per lawyer (\$2,587 for Quebec lawyers) and \$1,845 per patent & trademark agent for the CLLAS First Excess (\$30,000,000) Policy. The decrease from last year was 29% in Quebec and 14% in the rest of Canada.

CLLAS First Optional Excess Policy – \$20,000,000 Aggregate Excess of \$140,000,000
(Reinsurance Layer 4)

This policy is purchased by 9 of the 13 CLLAS firms.

Limit: \$20,000,000 aggregate per firm excess of \$135,000,000 aggregate per firm excess of the Primary CLLAS Policy
CLLAS Retention: nil
Rate: \$162 per lawyer/\$81 per P&T agent

At this high level, the reinsurance costs in the high layers are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$186 per lawyer and \$93 per patent & trademark agent for the CLLAS First Optional Excess Policy. This represents a rate reduction of approximately 15% from last year.

CLLAS Second Optional Excess Policy – \$20,000,000 Aggregate Excess of \$160,000,000
(Reinsurance Layer 5)

This policy was first offered on July 1, 2006 and is currently purchased by 7 of the 13 CLLAS firms.

Limit: \$20,000,000 aggregate per firm excess of \$155,000,000 aggregate per firm excess of the Primary CLLAS Policy
CLLAS Retention: nil
Rate: \$145 per lawyer/\$73 per P&T agent

At this high level, the reinsurance costs in the high layers are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$166 per lawyer and \$83 per patent & trademark agent for the CLLAS Second Optional Excess Policy. This represents a rate reduction of approximately 17% from last year.

**CLLAS Umbrella Excess Policy – \$30,000,000 per Claim/\$60,000,000 Aggregate All Firms
Combined Excess of a Minimum of \$50,000,000 per Firm
(Reinsurance Layer 6)**

This policy is shared by all 13 CLLAS firms.

Limit: \$30,000,000 per claim/\$60,000,000 aggregate all firms combined excess of a minimum of \$50,000,000 per firm
CLLAS Retention: nil
Rate: \$218 per lawyer/\$109 per P&T agent

At this high level, the reinsurance costs in the high layers are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$250 per lawyer and \$125 per patent & trademark agent for the CLLAS Umbrella Excess Policy. This represents a rate reduction of approximately 14% from last year.

Note: For all CLLAS policies, certain non-lawyer consultants, depending on risk, are charged the lawyer rate while others are charged the patent & trademark agent rate.

Reinsurers

CLLAS managed to retain all of the existing reinsurers and have successfully attracted a new Lloyd's syndicate, Pembroke Managing Agency, who took up 2.5% in Layer 4.

As in the expired term, Swiss Re (Canada) agreed to "front" for Swiss Re (U.K.) thus alleviating the unlicensed burden created by Swiss Re (U.K.) in past years. This positive arrangement allows CLLAS to purchase more stop-loss protection from Colchester.

Please refer to Exhibit "B" for more details on the participating reinsurers and their percentages.

Security Ratings

The current security ratings of each of the existing reinsurers are set forth in Exhibit "C". CLLAS monitors the ratings on an ongoing basis and reports to the Board as appropriate. Four reinsurers, Lloyd's, Arch, CRC and Scor Re have been upgraded as of the date of this report.

Policy Wordings

The policies have been prepared and will be distributed very shortly. The following changes have been made to the Primary Policy this year. The other policies follow form.

1. Reduction of the aggregate per firm limit to \$12,000,000;
2. Amendment to Clauses (b) and (c) of the definition of “Insured” to make it clear that an individual has to be acting on behalf of the firm in order to be covered;
3. Deletion of the definition of “Damages” which was not used in the policy;
4. Addition of the “Goodman and Carr LLP Lateral Hire Extension Endorsement” to provide lateral hire cover to all former G&C lawyers who are currently with other CLLAS firms. The endorsement specifically names the covered lawyers and limits coverage for each lawyer to their own acts, errors and omissions (i.e. excluding vicarious liability arising out of the G&C partnership). The premium determined for this coverage is assessed on a per lawyer basis, on the Primary CLLAS Policy only and will apply over a five-year period.

Aggregate Stop-Loss Protection

Colchester provides the following aggregate stop-loss protection in 2007/08 which is unchanged from last year:

Limit: \$25,000,000 in the annual aggregate excess of \$15,000,000 in the annual aggregate in respect of CLLAS’ retained losses

Rate: \$552 per lawyer/\$276 per P&T agent

Colchester continues to purchase retrocession protection for \$20,000,000 excess of \$20,000,000. The retrocession premium was decreased by 8%.

FSCO Reinsurance Guidelines

Exhibit “F” sets forth the reinsurance calculations to determine whether CLLAS was onside with respect to the reinsurance guidelines provided by the Financial Services Commission of Ontario. The guideline for total reinsurance is 75% and the guideline for unregistered reinsurance is 25%. The calculations for CLLAS results in 62.6% total reinsurance and 13.8% unregistered. CLLAS is well within the guideline with respect to both registered and unregistered reinsurance.

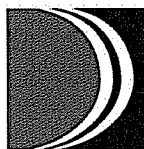
Concluding Remarks

We are pleased with the renewal results for the 2007/2008 term. Specifically, the reinsurance rate decreases (except for Layer 1 which remained unchanged) and the decreased Quebec lawyer rate in Layers 2 and 3 were reasonable given the general reduction in actuarially determined expected loss costs. Further, we only had to use a small portion of the additional retention authorized by the Board increasing the retention in Layer 1 by 10%. There was sufficient capacity from existing and new underwriters to maintain the same structure that we had in previous years. As a result, CLLAS members enjoy an overall decrease of 17% in premium (not including the Optional Excess Policies).

There was a much stronger interest in the Second Optional Excess Policy (\$20MM xs \$160MM) this year. The number of firms that purchased this policy increased from four to seven.

CLLAS members should feel confident that they are paying premiums that are commensurate with the risk and competitive in the current marketplace.

Encl.
Adv-Bd_0709_Final Reinsurance Report



DION DURRELL

Actuaries and Consultants

MEMORANDUM

DATE: September 11, 2007
TO: CLLAS Advisory Board
FROM: Patrick Mahoney *pm*
RE: Goodman and Carr LLP ("G&C") Withdrawal from CLLAS
CC:

At the Special Meeting of the CLLAS Board held on May 16, 2007, the Board considered on a preliminary basis the appropriate treatment of G&C's surplus position within CLLAS, given the firm's and CLLAS' respective rights and obligations under the Subscribers' Agreement. Since then, I have had several discussions on this topic with Steve Watson, the former G&C partner (now with Fraser Milner) who is responsible for winding down the affairs of G&C. Recently, Mike Thorley, Nick Leblovic and I met to consider this matter. The purpose of this memo is to provide updated financial information relating to G&C's share of CLLAS' surplus and Colchester's equity, and to frame the issues for discussion at the up-coming Board meeting.

UPDATED FINANCIAL INFORMATION

As you are aware, the ultimate determination of a subscriber's financial position in CLLAS (and in Colchester for that matter) is accomplished by means of the Subscribers' Accounts (Shareholders' Accounts in the case of Colchester) which are prepared as of June 30th of each year. Due to the nature of the inputs required to prepare the Subscribers' Accounts, there is typically a delay of some six to nine months after the end of each period before these accounts can be finalized. Therefore at this point in time, we have final Subscriber/Shareholder Accounts for CLLAS and Colchester as at June 30, 2006, and we have management financial statements for CLLAS and Colchester as at June 30, 2007. We can use the current management financial statements to estimate a firm's financial position at June 30, 2007, but this is obviously a rough estimate only.

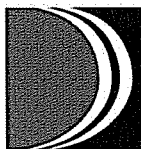
A. CLLAS

The table below shows G&C's position in CLLAS at June 30, 2006 and its estimated position at June 30, 2007.

	June 30/06	June 30/07
G&C	187,823	215,381
CLLAS	10,917,956	12,519,887

DION, DURRELL + ASSOCIATES INC.

20 Queen Street West, Suite 306, Toronto, Ontario, Canada, M5H 3R3 Tel: 416-408-2626 Fax: 416-408-3721



The estimate as at June 30, 2007 is a simple ratio of G&C's position a year earlier (i.e. CLLAS' surplus position moved from \$10.9 million to \$12.5 million, and G&C's surplus is assumed to have moved in proportion to this. Although it is difficult to say accurately without going through the process of preparing the Subscribers' Accounts, we expect that this figure may be slightly overstated since much of the improvement to CLLAS' bottom line came from increased premiums paid in the year, and G&C may not have benefited from this proportionately given its lawyer count in its final year relative to others.

B. Colchester

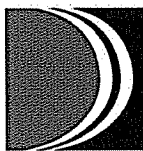
The following information with respect to Colchester is provided in the interests of completeness. Obviously any decisions made with respect to Colchester are the responsibility of the Board of Colchester.

The tables below show G&C's position in Colchester at June 30, 2006 and its estimated position at June 30, 2007. It is necessary to review two sets of numbers because the Shareholder Accounts show the financial information with reserves *on a discounted basis* (i.e. reflecting that investment income will be earned on the assets held to ultimately resolve claims) whereas the financial statements show reserves *on a undiscounted basis* (i.e. ignoring the time value of money). For context, the CLLAS financials show reserves on a discounted basis, but after adding an additional margin referred to a Provision for Adverse Deviation (PfAD).

DISCOUNTED (as per shareholder accounts)		June 30/06	June 30/07	
	G&C	115,900	115,900	share capital
		115,424	242,118	retained earnings
		231,324	358,018	total equity
	Colchester	3,431,100	3,431,100	share capital
		4,967,296	10,419,598	retained earnings
8,398,396		13,850,698	total equity	

UNDISCOUNTED (as per financial statements)		June 30/06	June 30/07	
	G&C	115,900	115,900	share capital
		50,152	192,427	retained earnings
		166,052	308,327	total equity
	Colchester	3,431,100	3,431,100	share capital
		2,158,296	8,281,120	retained earnings
5,589,396		11,712,220	total equity	

The above information shows that G&C has paid-in capital of \$115,900 and its share of Colchester's accumulated retained earning is estimated to be \$192,000 or \$242,000, depending on how the claim reserves are presented. As is the case with the CLLAS information, the G&C



retained earnings as at June 30, 2007 have been estimated by simply prorating its position of a year earlier.

We have briefly reviewed the share conditions for the Colchester preferred shares and, subject to further review and confirmation, it would appear as though the economic interest attached to those shares is treated in much the same way as is a subscriber's interest in CLLAS. That is, accumulated retained earnings are available to be paid out only after the closure of the final underwriting period, unless the Board determines otherwise. Note that this conclusion ignores the fact that there are multiple underwriting periods, some of which may be capable of closure at an earlier date. The likely effect of closing earlier underwriting periods would be to roll surpluses forward to cover the shortfall in the most recent period.

SURPLUS RETENTION

As noted above, it is necessary for legal reasons that CLLAS deal with G&C's surplus position in CLLAS while Colchester address G&C's equity position in Colchester. However, Steve Watson of G&C has advised that he is looking at the aggregate amount in evaluating what might be a reasonable approach. For ease of discussion, the aggregate of G&C's position in CLLAS and Colchester as at June 30, 2007 (based on the numbers in the above tables) would be \$523,708 or \$573,399 depending on whether the Colchester totals are based on undiscounted or discounted reserves.

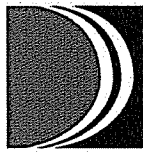
While the CLLAS Subscriber's Agreement and the Colchester share conditions would allow CLLAS and Colchester respectively to retain G&C's entire current financial position, you will recall that we requested the actuary to consider what portion thereof could be paid out to G&C (absent other considerations) while adequately protecting against adverse developments in pre-July 1, 2007 claims.

The actuary evaluated the level of surplus that is believed to be appropriate to provide a reasonable cushion against adverse development in circumstances where collecting on a retroassessment is considered to be problematic (e.g. due to firm dissolution). The actuaries suggested a "confidence level" of 85% would be appropriate in these circumstances, which translates into surplus of \$292,000 (as compared with G&C's current estimated surplus in CLLAS of \$215,000 as shown above). The actuaries have not updated this analysis, which was based on June 30, 2006 information, but for comparison purposes, a 75% confidence level amounted to a surplus requirement of \$110,000. (Please refer to my memo of May 10, 2007, with attachments, for a more complete discussion of this issue.)

ALTERNATIVE SOLUTIONS

After internal discussions (i.e. between Mike, Nick and me) we have identified the following as the range of solutions which appears to be available to address this issue. As stated previously, any decisions made with respect to Colchester are the responsibility of the Board of Colchester.

1. Retain entire G&C position as per the CLLAS Subscribers Accounts and Colchester share conditions pending run-off of claims (i.e. a minimum of five years and possibly more). This is the "default option" in the sense that it will occur in the absence of any agreed-upon approach.



2. Transfer entire G&C position to escrow accounts with payouts to be made over time subject to meeting certain agreed criteria re claims development. This concept is being promoted by Steve Watson of G&C.
3. Retain an actuarially appropriate level of surplus and pay out the excess, with the G&C partners remaining liable for potential retroassessments. Any surplus balance ultimately remaining once claims have run off would be available for pay out.
4. Retain an actuarially appropriate level of surplus and pay out the excess, with all future liabilities being terminated by means of the exchange of mutual releases.

NEXT STEPS

The Board should consider the above information and consider whether it would be prepared to consider presenting any alternatives to G&C. As we will discuss in greater detail at the upcoming meeting, the result of the internal discussions we have had to date has been to conclude that Option 4 is preferable and is perhaps the only feasible approach.

Will be distributed at the meeting

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING JUNE 30, 2007

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CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING JUNE 30, 2007

Review of Market Yields

Following three consecutive quarters of relative stability in the bond market, the entire yield curve shifted higher during the second quarter. The smallest increase occurred at the very short end of the curve where the yield on 3-Month Treasury Bills increased 26 basis points. Meanwhile, 5-year Canada yields rose 54 basis points and 10-year issues increased 44 basis points.

	Jan. 1/95	Dec. 31/06	Mar. 31/07	June 30/07
3-Month Treasury Bills	6.80%	4.15%	4.17%	4.43%
5-year Canadas	8.99%	3.99%	4.01%	4.55%
10-year Canadas	9.09%	4.08%	4.11%	4.55%

After allowing for capital added of \$1,961,119 less accrued bond interest debited on purchases totalling \$23,164, the Long Term Investment Fund declined \$551,253 during the second quarter.

At June 30, 2007, the average term to maturity of the Long Term Investment Fund stood at 4.8 years, compared to 5.0 years three months earlier.

During the quarter, approximately \$1.96 million was transferred from the Short Term Investment Fund to the Long Term portfolio for investment. Purchases consisted of two Canada and two Provincial guarantees, as well as one AA corporate credit. These issues had maturities in the 3 to 8 year maturity range.

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

<i>Distribution as at June 30, 2007</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$ 7,663,253	24.1%
Long Term Investment Fund	24,117,243	75.9%
TOTAL COMBINED VALUATION	\$31,780,496	100.0%

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

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

- Investment Performance and Total Return for the Long Term Investment Fund
(Returns Exclude Investment Counsel Fees)
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Bond Market Commentary
- Policy for the Long Term Investment Fund
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at June 30, 2007
- 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	Dec. 31/06	Mar. 31/07	June 30/07
Valuation of Long Term Fund	\$3,466,369	\$17,577,292	\$22,730,541	\$24,117,243
Capital Added (Net) since January 1, 1995		\$12,908,358	\$18,120,463	\$20,058,418
Balance: Net Capital Appreciation since January 1, 1995		\$ 1,202,565	\$ 1,143,709	\$ 592,456
Cumulative % Increase since January 1, 1995 (Time-weighted Basis)		18.5%	18.2%	15.4%
Cumulative % Increase in Scotia Capital Short Bond Index		1.4%	1.2%	0.7%

TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING JUNE 30, 2007
(ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>4.6</i>	<i>3.4</i>	<i>3.6</i>	<i>1.8</i>	<i>3.6</i>	<i>- 1.2</i>
Scotia Capital Canada Short Bond Index	4.2	3.4	3.4	1.9	3.9	- 0.4
Scotia Capital Provincial Short Bond Index	4.3	3.5	3.5	2.0	4.0	- 0.4

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	Dec. 31/06	Mar. 31/07	June 30/07
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	7.7%	4.6%	6.5%
Canadas Greater than 1 year term	54.7%	41.6%	41.8%	39.4%
Provincials Greater than 1 year term	16.3%	35.8%	37.2%	37.4%
Corporates Greater than 1 year term	-	14.9%	16.4%	16.7%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

DISTRIBUTION OF SECURITIES BY MATURITY
(Based on Market Values)
SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Dec. 31/06	Mar. 31/07	June 30/07
Under 1 year	29.0%	7.7%	4.6%	6.5%
1 - 3 years	19.8%	24.5%	18.0%	16.5%
3 - 5 years	29.3%	35.9%	32.6%	36.4%
5 - 7 years	11.4%	9.7%	20.2%	17.2%
7 - 10 years	10.5%	22.2%	24.6%	23.4%
TOTAL	100.0%	100.0%	100.0%	100.0%

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT JUNE 30, 2007

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Size	20% of Total	24.1%	Yes
Minimum Canada & Provincial Percentage	50%	62.1%	Yes
Minimum Provincial Quality	A	None held	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	8.9 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	44.4%	Yes
Maximum Provincial Percentage	40%	38.9%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	16.7%	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.

At June 30, the Short Term Fund represented 24.1% of the two Funds combined, which is above the 20% minimum required.

BOND MARKET COMMENTARY

Economic conditions in the U.S. deteriorated during the first quarter as a slowdown in household demand, led by a steep downturn in the housing market, reduced GDP growth to its slowest pace in four years. Meanwhile, the Canadian economy experienced a surge in activity due to strong consumer spending, which more than offset weaker exports. Part of the divergence in U.S.-Canada growth rates was due to inventory adjustments, and each country's rate of expansion in the second quarter is expected to converge to around 3%.

Recent developments in the domestic and international markets have caused a considerable shift in expectations for monetary policy. Early this year, it was widely anticipated that the monetary authorities' next move would be to lower rates. However, both the Bank of Canada and the Federal Reserve signalled that lending rates were more likely to be increased, as inflationary pressures remained a greater concern than slow growth. The Bank of Canada was the first to act and, after holding rates steady for 14 months, the bank rate was increased 25 basis points earlier this month.

The expectation of tighter domestic monetary policy coupled with rising yields overseas and strong offshore growth have caused North American bond yields to shift higher over the past few months. Canada's recent growth spurt and the need to attract foreign capital to fund the massive U.S. deficit have also contributed to the rise. Among corporate bonds, the increase in yields has been exacerbated as the yield spread over government issues has widened. Corporate bond prices have come under additional pressure in the wake of heightened merger and acquisition activity and the increased risks associated with leveraged buyouts from private equity.

Over the near term, domestic bond prices remain vulnerable due to expectations of additional rate hikes. The Bank of Canada has stated, "Some modest further increase in the overnight rate may be required". Offshore forces could also add upward pressure on domestic yields in the months ahead as a number of foreign central banks consider further rate increases amid worries that buoyant global growth will fuel inflation.

The run-up in bond yields has raised concerns that a secular bear market in bonds has begun and yields will continue to climb higher over the medium term. While the risk has increased that yields will climb higher due to further central banks' tightening and the potential spillover from commodity price pressures into core inflation, we believe a significant rise in yields would prove temporary. This is due to the dampening impact higher yields would have on economic activity, particularly in view of the amount of leverage throughout the system and residual softness in the U.S. economy.

POLICY FOR THE LONG TERM INVESTMENT FUND

During the second quarter, we continued to shift funds from the Short Term to the Long Term Investment Fund. Close to \$2 million was invested in the Long Term Investment Fund with most of these purchases coming in the latter half of the period following the rise in yields. These transactions were designed to maintain the high overall credit quality and take advantage of the pull-back in bond prices. Over the quarter, the Long Term Investment Fund was moved into a slightly more defensive posture, with an average term to maturity of 4.8 years at June 30.

While we expect the economic and monetary environment will become more supportive of the bond market later this year, near term risks have increased. We believe the portfolio's current term structure and emphasis on quality provide a prudent balance in weighing the opportunities and risks.

RWB: sc

July 26, 2007

Please let us know if the Portfolio's investment objectives should be reviewed due to a change in financial circumstances, income needs, or risk tolerance.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2007

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			1,616,372	16,164
MONEY MARKET ISSUES					
730,000	CIBC BA 4.20% due July 18, 2007	99.14	99.77	728,321	30,398
1,010,000	Canada Treasury Bill 4.03% due July 26, 2007	98.93	99.71	1,007,071	40,267
365,000	Canada Treasury Bill 4.00% due August 9, 2007	99.24	99.56	363,394	14,489
500,000	Canada Treasury Bill 4.03% due August 9, 2007	98.93	99.56	497,800	19,934
1,400,000	Canada Treasury Bill 4.04% due August 23, 2007	98.93	99.40	1,391,600	55,953
750,000	CIBC BA 4.15% due August 28, 2007	99.00	99.26	744,450	30,813
825,000	Royal Bank BA 4.3% due August 28, 2007	99.21	99.26	818,895	35,193
500,000	Canada Treasury Bill 4.23% due September 20, 2007	98.88	99.07	495,350	20,912
				<hr/> 6,046,881	<hr/> 247,960
TOTAL PORTFOLIO				7,663,253	264,124

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-07 To 06-30-07

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
04-04-07	04-05-07	530,000	Canada Treasury Bill 3.90% due May 31, 2007	99.41	526,846.50
04-18-07	04-19-07	1,010,000	Canada Treasury Bill 4.03% due July 26, 2007	98.93	999,193.00
05-02-07	05-04-07	250,000	CIBC BA 4.20% due July 18, 2007	99.14	247,860.00
05-02-07	05-03-07	480,000	CIBC BA 4.20% due July 18, 2007	99.13	475,838.40
05-02-07	05-03-07	500,000	Canada Treasury Bill 4.03% due August 9, 2007	98.93	494,650.00
05-16-07	05-17-07	1,400,000	Canada Treasury Bill 4.04% due August 23, 2007	98.93	1,384,978.00
05-30-07	05-31-07	750,000	CIBC BA 4.15% due August 28, 2007	99.00	742,485.00
05-30-07	05-31-07	365,000	Canada Treasury Bill 4.00% due August 9, 2007	99.24	362,222.35
06-13-07	06-14-07	500,000	Canada Treasury Bill 4.23% due September 20, 2007	98.88	494,385.00
06-20-07	06-21-07	825,000	Royal Bank BA 4.3% due August 28, 2007	99.21	818,449.50
					6,546,907.75
SALES					
04-05-07	04-05-07	525,000	Canada Treasury Bill 4.04% due April 5, 2007	100.00	525,000.00
04-11-07	04-11-07	400,000	Bank of Nova Scotia B.A. 4.23% due April 11, 2007	100.00	400,000.00
04-19-07	04-19-07	1,000,000	Canada Treasury Bill 4.05% due April 19, 2007	100.00	1,000,000.00
05-03-07	05-03-07	960,000	Canada Treasury Bill 4.05% due May 3, 2007	100.00	960,000.00
05-04-07	05-04-07	750,000	FirstBank B.A. 4.18% due May 4, 2007	100.00	750,000.00
05-17-07	05-17-07	800,000	Canada Treasury Bill 4.02% due May 17, 2007	100.00	800,000.00
05-17-07	05-17-07	1,150,000	Canada Treasury Bill 4.05% due May 17, 2007	100.00	1,150,000.00
05-31-07	05-31-07	530,000	Canada Treasury Bill 3.90% due May 31, 2007	100.00	530,000.00
05-31-07	05-31-07	525,000	FirstBank B.A. 4.08% due May 31, 2007	100.00	525,000.00
06-14-07	06-14-07	820,000	Canada Treasury Bill 4.06% due June 14, 2007	100.00	820,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-07 To 06-30-07

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
06-21-07	06-21-07	750,000	FirstBank B.A. 4.18% due June 21, 2007	100.00	750,000.00
06-28-07	06-28-07	800,000	Canada Treasury Bill 4.05% due June 28, 2007	100.00	800,000.00
06-28-07	06-28-07	800,000	Canada Treasury Bill 4.05% due June 28, 2007	100.00	800,000.00
					9,810,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-07 To 06-30-07

Cash Balance at April 1, 2007		15,258.84
ADD:		
Proceeds from Sales	9,810,000.00	
Bond Interest Credited	326,232.62	
Interest Credited	<u>424.18</u>	<u>10,136,656.80</u>
		10,151,915.64
LESS:		
Cost of Purchases	6,546,907.75	
Transfer to Long Term Investment Fund	1,961,118.76	
Investment Counsel Fees	21,179.47	
Trust Company Charges	<u>6,337.64</u>	<u>8,535,543.62</u>
Cash Balance at June 30, 2007		<u>1,616,372.02</u>

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2007

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
700,000	Canada Housing Trust Sr. 4 4.40% due March 15, 2008	101.34	99.78	698,460	30,800
500,000	Canada 6% due June 1, 2008	104.22	101.20	506,000	30,000
1,000,000	Canada 5-1/2% due June 1, 2009	99.83	101.66	1,016,630	55,000
500,000	Canada Housing Trust Sr. 9 3.75% due March 15, 2010	99.30	97.58	487,880	18,750
450,000	Canada 5-1/2% due June 1, 2010	99.77	102.47	461,106	24,750
500,000	Canada 4% due September 1, 2010	100.30	98.29	491,445	20,000
1,000,000	Canada Housing Trust 4.05% due March 15, 2011	99.02	97.81	978,140	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	105.06	1,050,570	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	99.64	1,494,615	69,000
1,500,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	99.59	96.97	1,454,595	60,000
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	97.54	585,234	25,800
550,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	97.16	96.02	528,116	22,550
1,000,000	Canada 4% due June 1, 2016	99.58	96.00	960,000	40,000
				<hr/> 10,712,791	<hr/> 497,150
PROVINCIAL BONDS					
350,000	Ontario 6-1/8% due September 12, 2007	100.65	100.27	350,935	21,438
500,000	Ontario 5.70% due December 1, 2008	97.60	101.30	506,510	28,500
500,000	Ontario 6.20% due November 19, 2009	100.77	103.26	516,300	31,000
500,000	British Columbia 6.375% due August 23, 2010	104.22	104.75	523,735	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	104.22	521,080	30,500
1,200,000	Ontario 4.4% due December 2, 2011	101.02	98.70	1,184,424	52,800

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2007

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,200,000	Ontario 4-3/4% due June 2, 2013	102.39	100.01	1,200,096	57,000
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	101.49	1,014,940	50,500
750,000	Ontario 5% due March 8, 2014	102.63	101.26	759,473	37,500
750,000	Manitoba 4.80% due December 3, 2014	104.46	100.02	750,150	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	98.11	1,324,445	60,750
750,000	Ontario 4.4% due March 8, 2016	101.24	97.15	728,618	33,000
				<hr/> 9,380,704	<hr/> 470,863
CORPORATE BONDS					
250,000	Bank of Nova Scotia Dep. Note 4.295% due August 22, 2008	99.90	99.42	248,545	10,738
250,000	Golden Credit Card Trust Sr. Notes 4.159% due October 15, 2008	100.00	99.15	247,885	10,398
250,000	GE Capital Cda Fndg 5.65% due October 23, 2009	99.55	101.61	254,033	14,125
250,000	Citigroup Finance Canada 4.29% due November 2, 2009	101.20	98.59	246,475	10,725
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	97.73	293,184	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	97.33	291,996	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	99.01	495,025	23,450
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	96.87	387,472	17,600
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	95.69	287,070	12,990
500,000	Royal Bank 3.96% due January 27, 2014	99.49	98.56	492,820	19,800
500,000	CIBC 4.75% due December 22, 2014	101.80	97.72	488,610	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	96.88	290,634	13,950
				<hr/> 4,023,749	<hr/> 182,785
TOTAL PORTFOLIO				24,117,243	1,150,798

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 04-01-07 To 06-30-07

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
04-10-07	04-13-07	400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	399,120.00
05-02-07	05-04-07	500,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	98.97	494,850.00
05-16-07	05-22-07	550,000	Ontario 4.4% due December 2, 2011	100.57	553,135.00
06-13-07	06-18-07	250,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	95.37	238,425.00
06-13-07	06-18-07	250,000	Manitoba 5.05% due December 3, 2013	100.97	252,425.00
					1,937,955.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 04-01-07 To 06-30-07

Cash Balance at April 1, 2007			0.00
ADD:	Proceeds from Sales	0.00	
	Transfer from Short Term Investment Fund	<u>1,961,118.76</u>	<u>1,961,118.76</u>
			1,961,118.76
LESS:	Cost of Purchases	1,937,955.00	
	Accrued Bond Interest on Purchases	<u>23,163.76</u>	<u>1,961,118.76</u>
Cash Balance at June 30, 2007			0.00