



The
World's
Leading
specialist
insurance
market

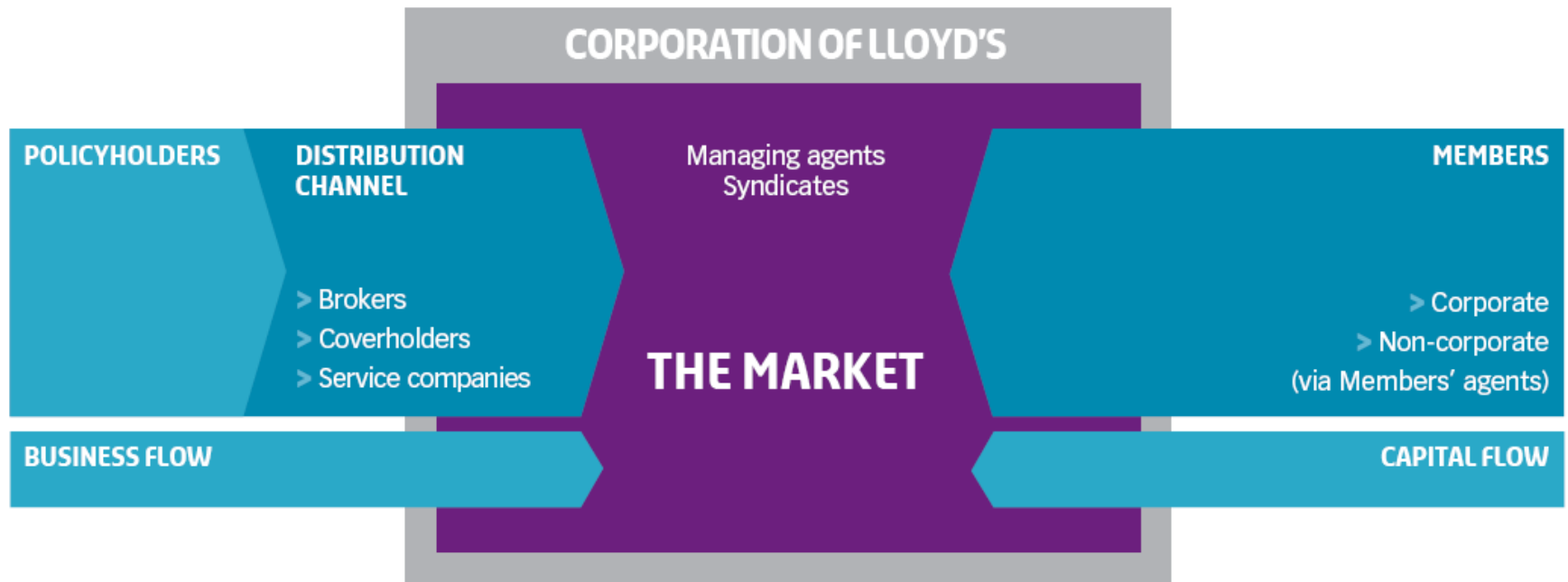


ABOUT LLOYD'S

- Lloyd's began over 300 years ago in Edward Lloyd's coffee house – a place where ship owners could meet people with the capital to insure them.
- Since then, Lloyd's has developed from its marine heritage to become the world's leading market for specialist property and casualty insurance, offering a unique concentration of expertise and talent, backed by strong financial ratings that cover the whole market.
- Like any dynamic, innovative market, it allows those with something to sell (underwriters providing insurance coverage) to make contact with those who want to buy (brokers, working on behalf of clients seeking insurance).
- Lloyd's remains a place where business is conducted face-to-face. The Underwriting Room is central to the smooth running of our subscription market, which is a key part of the Lloyd's business model as many large or specialist risks are written by more than one syndicate.

Lloyd's market structure

Lloyd's is not an insurance company. It is a partially mutualised market where members join together to form syndicates that insure risks. Much of Lloyd's business is written on a subscription basis, with more than one syndicate taking a share of the same risk.



Who's who?

Syndicates write the insurance risks

Underwriters decide on behalf of its members which risks a syndicate will underwrite and on what terms. Much of Lloyd's business is conducted in the Underwriting Room, where face-to-face negotiations take place with brokers about the risks they want to place at Lloyd's.

Managing agents manage the syndicates

These are companies set up to manage one or more syndicates. The managing agent employs the underwriting staff and handles the day-to-day running of a syndicate's infrastructure and operations.

Who's who? continued

Members provide the capital

Members of Lloyd's provide the capital to support syndicates' underwriting. Members include some of the world's major insurance groups and companies listed on the London Stock Exchange, as well as individuals and limited partnerships.

Corporation of Lloyd's supports the market

The Corporation oversees and supports the market and promotes Lloyd's around the world. This includes determining the capital that members must provide to support their proposed underwriting, working with the management of under performing syndicates to improve performance, undertaking financial and regulatory reporting for the Lloyd's market, managing and developing Lloyd's global network of licences and the Lloyd's brand.

Lloyd's in numbers

- **84** syndicates of specialist underwriting experience and talent
- **181** brokers daily creating insurance solutions in over...
- **200** countries and territories which covers...
 - **96%** of FTSE 100 companies
 - **87%** of Dow Jones industrial average companies
 - **92%** of Fortune 500 Top 50 European companies
 - **86%** of Fortune 500 US companies

All underpinned by 322 years of underwriting experience

Source: Lloyd's customer data provided by Xchanging. All figures as at 30 November 2008.

A DYNAMIC AND DIVERSE MARKETPLACE

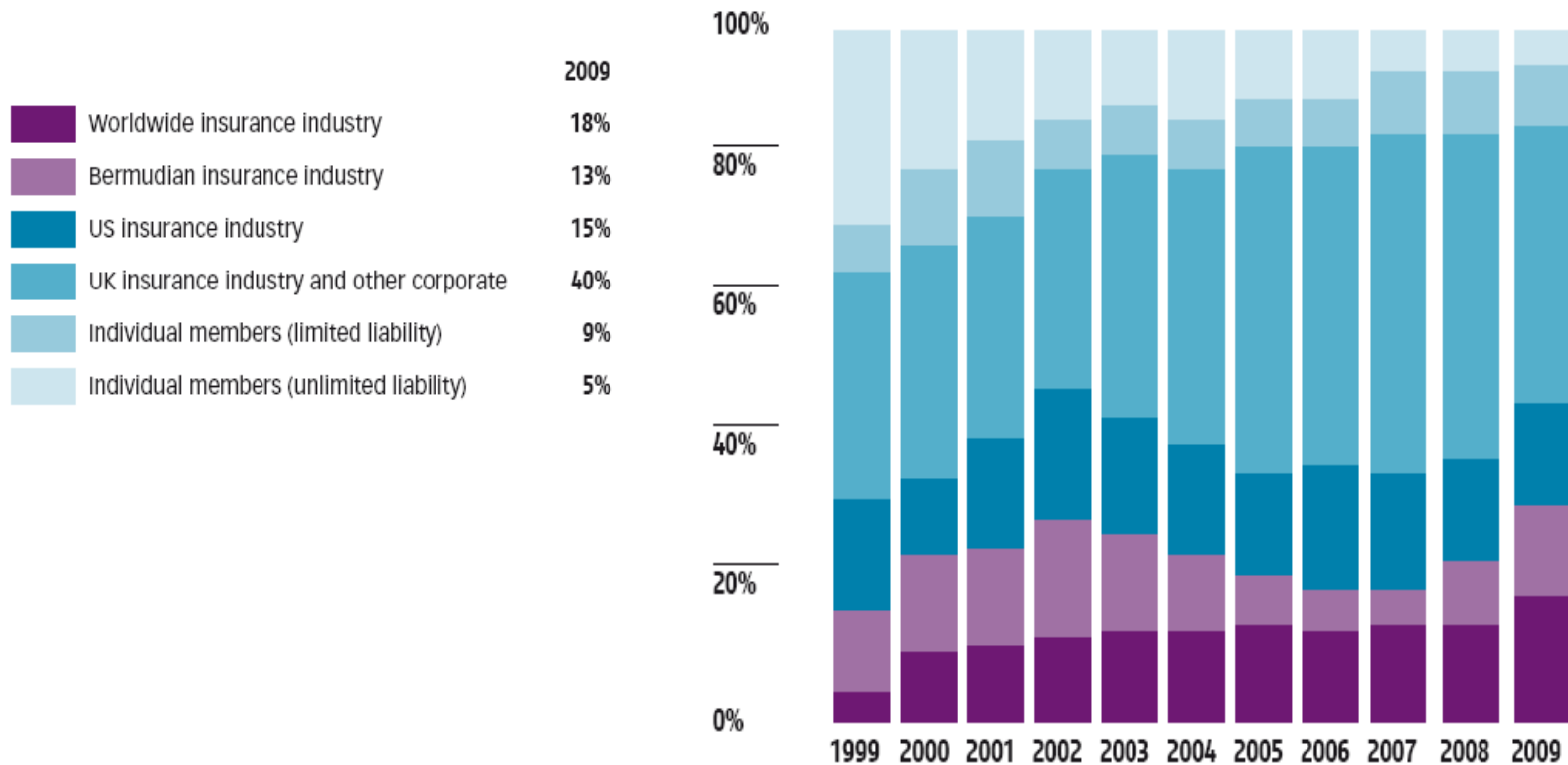
As at 31 December 2009, the Lloyd's marketplace was home to 52 managing agents shown below and 84 syndicates.



Lloyd's security and ratings

Strength and security

Sources of capital by type and location

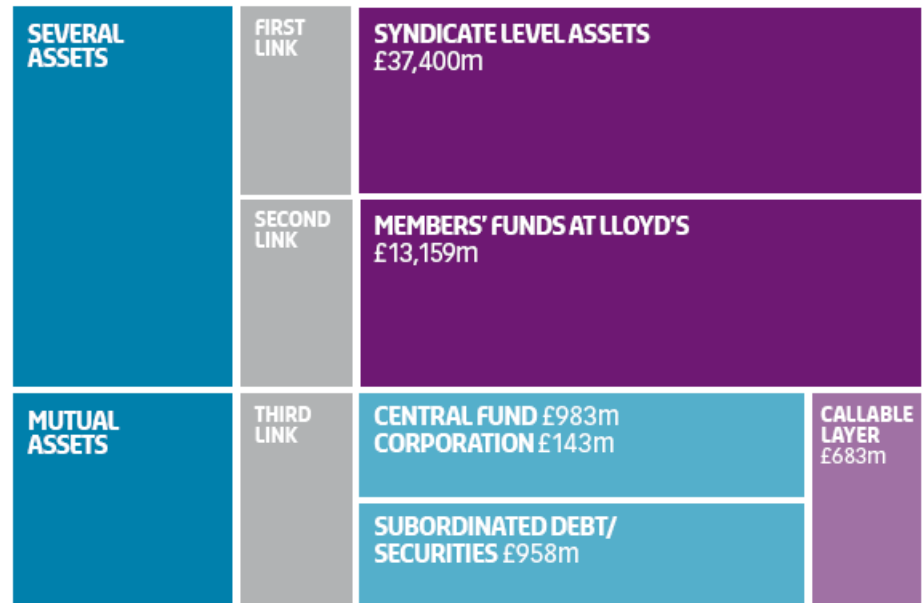


Source: *Lloyd's Annual Report 2009*. All figures as at 31 December 2009.

Lloyd's Chain of security

Lloyd's unique capital structure, often referred to as the 'Chain of Security', provides excellent financial security to policyholders and capital efficiency to members.

The Corporation is responsible for setting both member and central capital to achieve a level of capitalisation that is robust and allows members the potential to earn superior returns.



Source: *Lloyd's Annual Report 2009*. All figures as at 31 December 2009.

Rat ings

Three of the world's leading insurance rating agencies recognise Lloyd's strengths and robust capitalisation and the financial strength of the market. In 2009, all three rating agencies reaffirmed our ratings.

The Lloyd's financial strength ratings apply to every policy issued by every syndicate at Lloyd's since 1993.

Fitch Ratings
A+ (strong)

Standard & Poor's
A+ (strong)

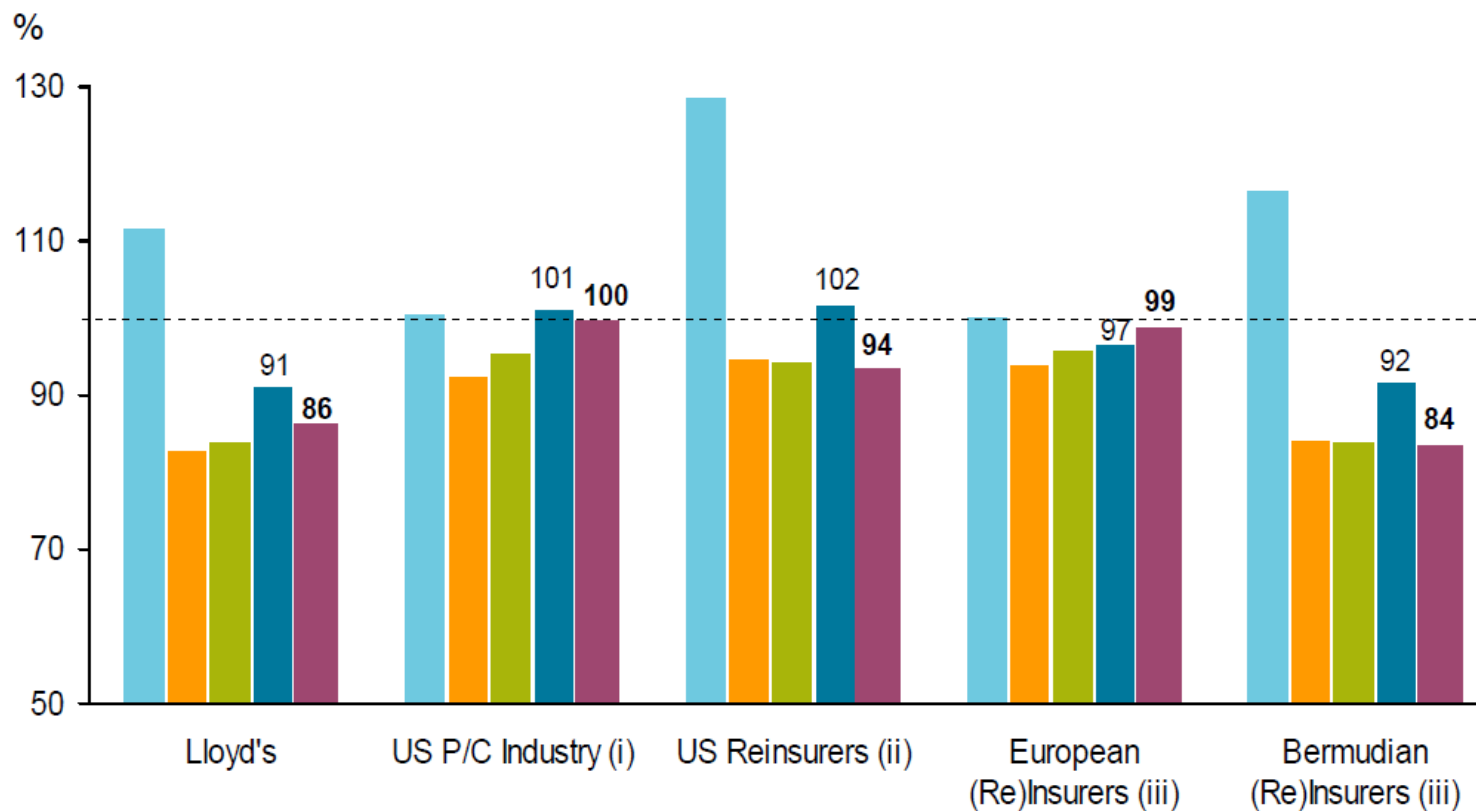
A.M. Best
A (excellent)



Lloyd's performance-comparison against its peers

as at year end 2009

COMBINED RATIO

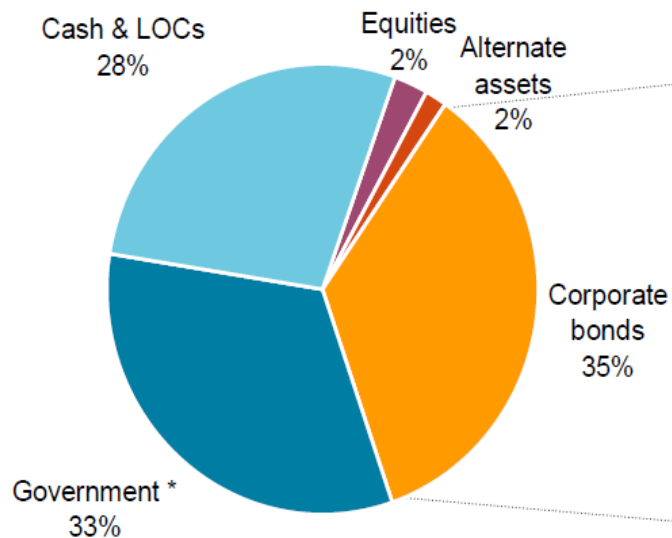


■ 2005 ■ 2006 ■ 2007 ■ 2008 ■ 2009

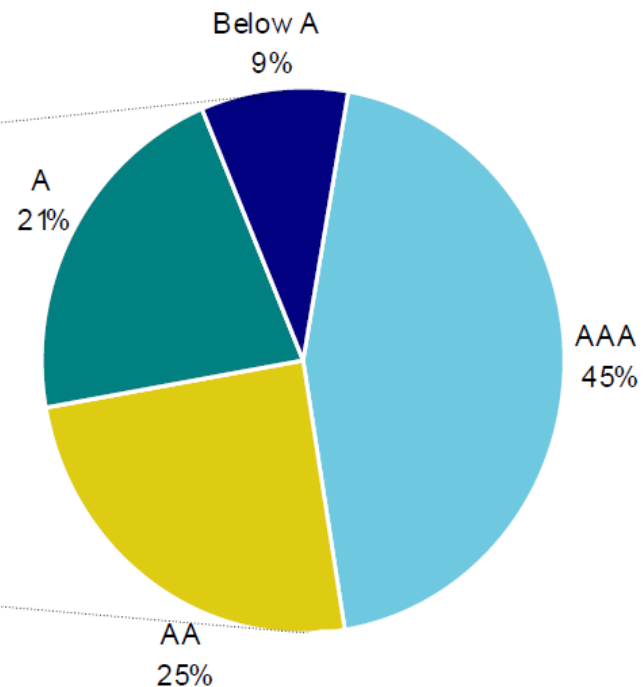
Sources i) Insurance Information Institute (estimate-2009), ii) Reinsurance Association of America, iii) Company data (8 European companies: 17 Bermudian companies)

over 90% of investments remain in cash and high quality bonds...

LLOYD'S MARKET INVESTED ASSETS



CORPORATE BONDS



*Note: * Includes supranationals and government agencies
Source: Lloyd's pro forma financial statements, 31 Dec 2009*

Lloyd's balance sheet

| £m | 2008 | 2009 | % change |
|---|----------|-----------------|----------|
| Cash and investments | 44,370 | 46,254 | 4 |
| Reinsurers' share of technical provisions | 11,671 | 9,931 | (15) |
| Other assets | 11,291 | 11,105 | (2) |
| Total assets | 67,332 | 67,290 | - |
| Unearned premiums | (9,043) | (9,433) | 4 |
| Other liabilities | (43,025) | (38,736) | (10) |
| Net resources ¹ | 15,264 | 19,121 | 25 |
| <i>Represented by:</i> | | | |
| Members' assets ² | 13,192 | 17,037 | 29 |
| Central assets ³ | 2,072 | 2,084 | 1 |
| | 15,264 | 19,121 | 25 |

Note:

1. Capital, reserves & subordinated loan notes and securities

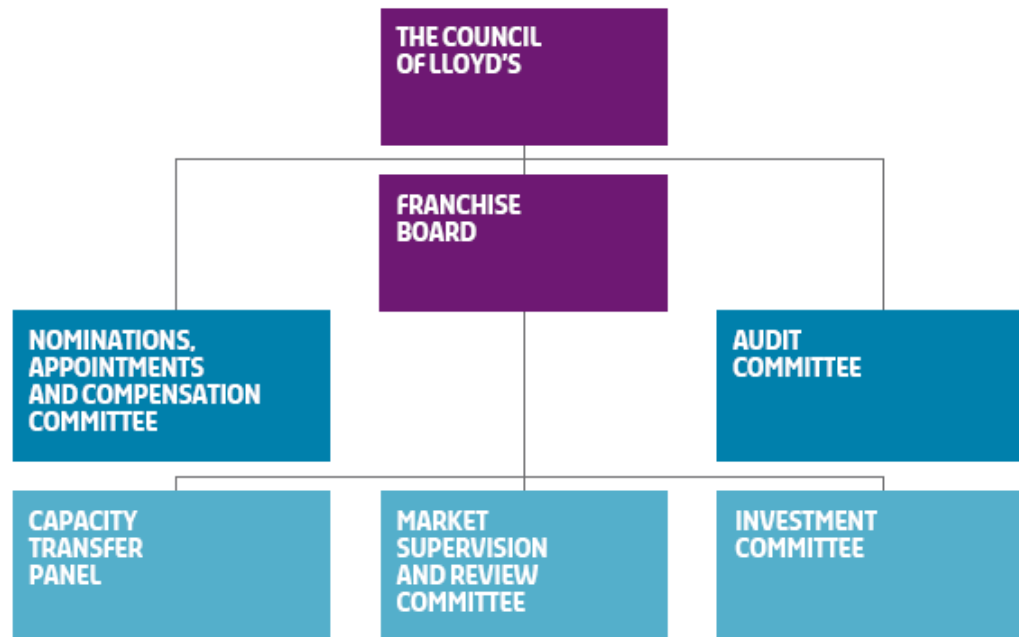
2. Includes syndicate balances and Funds at Lloyd's

3. Stated on an UK GAAP basis; excludes subordinated debt liabilities

Governance

Lloyd's Governance

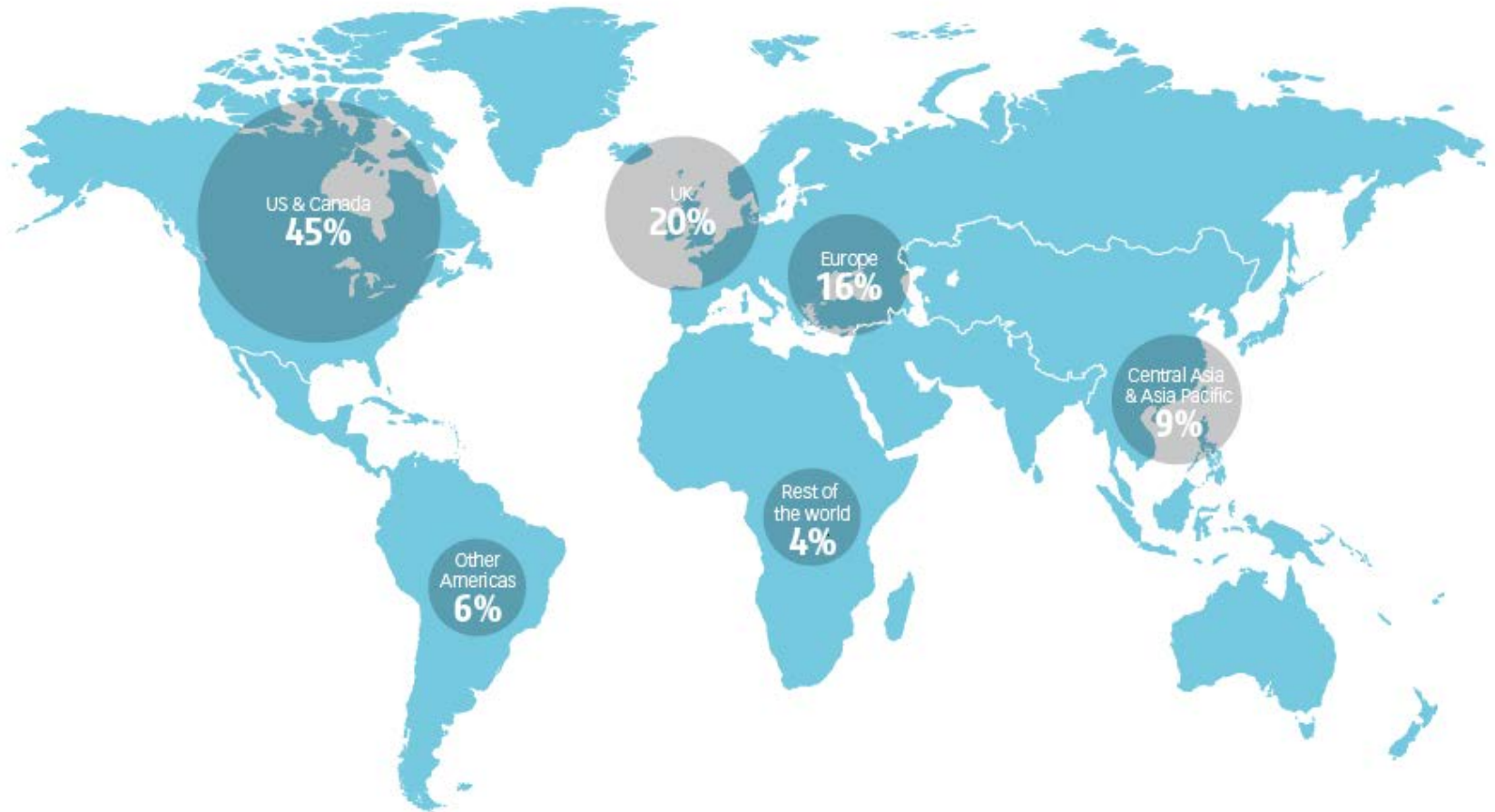
Principle committees of Lloyd's



The council and franchise board








- The Council of Lloyd's is the governing body of the Society of Lloyd's. It has ultimate responsibility for the management of the market as a whole.
- For many of its functions, the Council now acts through the Franchise Board, whose members are appointed by the Council and are drawn from both within and outside the Lloyd's market.
- The day-to-day powers and functions of the Council and Franchise Board are exercised by the Corporation's Executive Team, consisting of the chief executive officer and directors of the Corporation.
- Lloyd's is regulated by the FSA, which undertakes direct supervision of managing agents and monitors capital and solvency.
- The Corporation plays an active role in managing risk within the market to ensure that Lloyd's central assets, brand, licences and reputation are protected.

Lloyd's total business by region



Source: *Lloyd's Annual Report 2009*. All figures as at 31 December 2009.

Lloyd's class breakdown by region

| | | US & Canada | Other Americas | United Kingdom | Europe | Central Asia & Asia Pacific | Rest of the world | TOTAL |
|---|--------------------|-------------|----------------|----------------|------------|-----------------------------|-------------------|-------------|
|  | REINSURANCE | 31% | 75% | 28% | 36% | 47% | 61% | 36% |
|  | PROPERTY | 31% | 8% | 20% | 16% | 14% | 9% | 23% |
|  | CASUALTY | 20% | 8% | 21% | 20% | 25% | 13% | 20% |
|  | MARINE | 5% | 4% | 7% | 17% | 6% | 8% | 7% |
|  | ENERGY | 10% | 2% | 1% | 6% | 4% | 3% | 6% |
|  | MOTOR | 1% | 1% | 22% | 1% | 1% | 2% | 5% |
|  | AVIATION | 2% | 2% | 1% | 4% | 3% | 4% | 3% |
| | TOTAL | 45% | 6% | 20% | 16% | 9% | 4% | 100% |

Source: *Lloyd's Annual Report 2009*. All figures as at 31 December 2009.



**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 14, 2010

Present:

| | |
|------------------------------|-------------------------------------|
| Nicholas Leblovic (Chairman) | Davies Ward Phillips & Vineberg LLP |
| Richard Prupas | Blake Cassels & Graydon LLP |
| Barry Bresner | Borden Ladner Gervais LLP |
| Gord Goodman | Cassels Brock & Blackwell LLP |
| Chris Woodbury | Fraser Milner Casgrain LLP |
| Donald Milner | Fasken Martineau DuMoulin LLP |
| Bill Scott | McCarthy Tetrault LLP |
| Bill Woloshyn | McMillan LLP |
| Daniel Gormley | Goodmans LLP |
| Julia Holland | Torys LLP |
| Les O'Connor | WeirFoulds LLP |
| Carol Lyons | Lang Michener LLP |
| Patrick Mahoney | Office of the General Manager |
| Norma Ibbetson | Office of the General Manager |

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 15, 2010 Meeting of the Advisory Board

It was moved by Donald Milner and seconded by Gord Goodman that the minutes of the June 15, 2010 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Comments of the Chair

The Chair advised that his comments would be addressed under specific agenda items.

5. Report of the General Manager's Office

Management Report at June 30, 2010

Mr. Mahoney reviewed with the Board items of note. He provided an update on the reinsurance arbitration, noting that the final arguments took place in August and we are awaiting the decision. He advised that there was an unrelated arbitration in process with the excess insurer above CLLAS in relation to the settlement of another part of the same matter.

Turning to the Income Statement, Mr. Mahoney advised that there has been a substantive increase in operating expenses driven by payments to outside counsel on two matters, i.e. the reinsurance arbitration noted above and the premium tax issue. These costs are being tracked under "special services" line on the budget variance exhibit.

The IBNR correction to the March 31, 2010 figure is reflected at June 30, 2010. As discussed in the materials, the surplus at March 31, 2010 was overstated by \$2.7million. He advised that the corrected surplus was still above the target. Following discussion, the Board concluded that it would continue to monitor surplus levels, that no additional steps needed to be taken at this time but that it would reconsider the surplus issue and its impact on 2010-11 premiums at the December meeting.

Reinsurance Placement

Joe Tontini's memorandum of August 26, 2010 was distributed to the Board. The placement was finalized as expected, on the basis discussed at the June meeting. Highlights of the placement are noted on pages 1 and 2 of the memorandum.

The Chair asked the Board to consider, over the course of the year, changing the maximum retention set out in the Subscribers Agreement from the current \$15 million to \$20 or \$25 million. This would require an amendment and would be used primarily as a tool in the reinsurance negotiation process.

Dion Durrell will be asked to prepare an analysis on the potential use of the increased retention including the pros and cons of its use and how surplus management would be affected. The analysis may be of use within the firms as a report to management committees.

Premium Tax Update

Mr. Mahoney provided an update on this matter. The firms with branch offices in British Columbia have been consulted as part of the process and are being regularly updated. The Board discussed the appropriate funding in BC, where an approach has been agreed with the BC tax authorities. The General Manager's office will serve as the central collection point for gathering the information requested by the BC premium tax authorities, and will forward this information on to Chris Falk, our counsel in BC, for forwarding to the authorities.

Licensing of CLLAS will take place in B.C. and Alberta. Discussions in Quebec are still in their early stages and no decisions have been made there as yet.

It was the consensus of the Board that CLLAS would be responsible for fees, interest and additional taxes that resulted from not being licensed in BC, Alberta or Quebec, and the individual firms would be responsible for any premium tax rate differential between what was paid in Ontario and what would have been paid in the other jurisdictions had CLLAS been licenced there.

6. **Report of the Claims Committee**

Barry Bresner reported to the Board. There are slowly developing class actions but no material developments on existing claims.

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

Bill Scott reported.

E-Learning

The testing phase has proven successful. The first four modules are being enhanced based on feedback from the initial user group, with roll-out slated for October.

The cost to develop the remaining nine modules is estimated at \$140,000. The full program would be in place by early 2011, with the hosting to be done by Blue-drop for the first year. There are some issues with respect to fully qualifying for CLE credits in Ontario but these issues will be discussed with the Law Society.

It was moved by Bill Scott and seconded by Julia Holland to authorize a budget of \$140,000 to accommodate the cost of the remaining nine modules. The motion was carried unanimously.

Claims

John Walker and the General Manager's office have had ongoing discussions regarding how best to incorporate what CLLAS had learned from its claims experience into the risk management audit findings at the firm level on an aggregate basis. A preliminary budget for this activity is estimated at \$25,000, split between Mr. Walker and Dion Durrell.

It was moved by Bill Scott and seconded by Richard Prupas to approve the expenditure of \$25,000. The motion was carried unanimously.

8. **Report of the Policy Committee**

There was no report. A discussion ensued on a client request to have a firm sign an indemnity agreement as a prerequisite to engaging the firm. The Board was in agreement that this should not be done. The policy committee was asked to review the wording to see if this type of agreement would increase the insurance exposure.

9. **Report of the Nominating Committee**

(Mr. Leblovic excused himself.)

Mr. Woodbury advised that the Chair's term was set to expire next year. Consistent with past practice, a Nominating Committee has been established which consists of Chris Woodbury and Gale Rubenstein. A report will be made at the December meeting. If any Board member wishes to participate on the Committee, or have their name considered for Chair, they were asked to please contact Ms. Rubenstein or Mr. Woodbury.

10. **Report of the Investment Manager**

This was an information item only.

11. **Other Business**

There was no other business.

12. Next Meeting

The next regularly scheduled meeting of the Board will be on December 7, 2010.

There being no further business, the meeting was terminated.

Chairman

Secretary

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending September 30, 2010

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

September 30, 2010

CONTENTS

| | |
|-------------|------------------------------------|
| Exhibit I | Balance Sheet |
| Exhibit II | Income Statement |
| Exhibit III | Other Comprehensive Income |
| Exhibit IV | Operating Budget Variance Analysis |

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
September 30, 2010

| | As at September 30, 2010 | As at September 30, 2009 |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash | \$2,752,649 | \$3,169,183 |
| Investments | | |
| Short Term | 14,568,177 | 11,867,854 |
| Bonds | 39,505,384 | 38,174,123 |
| Interest income due and accrued | 319,108 | 339,040 |
| Premiums receivable | 10,426,037 | 11,824,657 |
| Unearned reinsurance premium ceded | 9,582,014 | 10,308,965 |
| Prepaid Expenses | 204,750 | 204,750 |
| Deferred policy acquisition costs | 496,741 | 532,685 |
| Reinsurance recoverable | 13,106,957 | 12,200,115 |
| Other receivable | 0 | 0 |
| Provision for unpaid claims and adjustment expenses recoverable from reinsurers | 36,444,000 | 44,446,000 |
| Total Assets | \$127,405,817 | \$133,067,372 |
| LIABILITIES | | |
| Provision for unpaid claims and adjustment expenses | \$80,357,000 | \$81,356,000 |
| Provision for unpaid premium liabilities | \$2,629,821 | \$2,629,821 |
| Unearned premium | 15,596,209 | 17,688,392 |
| Due to reinsurers | 6,405,557 | 6,891,522 |
| Accounts payable & accrued charges | 659,592 | 542,777 |
| Premium taxes payable | 13,411 | 103,402 |
| Total Liabilities | 105,661,588 | 109,211,913 |
| SUBSCRIBERS' EQUITY | | |
| Surplus | 19,985,786 | 22,292,346 |
| Accumulated Other Comprehensive Income (Loss), | 1,758,442 | 1,563,113 |
| | 21,744,228 | 23,855,459 |
| TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY | \$127,405,817 | \$133,067,372 |

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED September 30, 2010

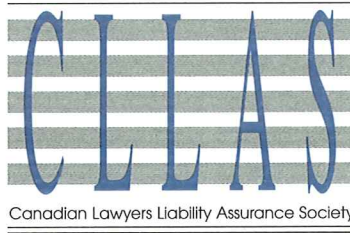
| | Year to date Jan. 2010 to <u>September-10</u> | Previous year Jan. 2009 to <u>September-09</u> |
|--|---|--|
| Written premium | \$20,835,506 | \$23,674,881 |
| Gross Written Premiums | 20,835,506 | 23,674,881 |
| Less: Reinsurance Ceded | 12,811,117 | 13,797,313 |
| Net Written Premiums | 8,024,389 | 9,877,568 |
| Change in Unearned Premiums | (1,121,609) | (2,519,326) |
| Earned Premiums | 6,902,780 | 7,358,242 |
| Claims Paid | 211,081 | 2,177,213 |
| Change in IBNR | 2,002,000 | 2,580,000 |
| Change in Case Reserve | 3,743,000 | (704,000) |
| Change in provision for Unpaid Premium liability | 0 | 0 |
| Incurred Claims | 5,956,081 | 4,053,213 |
| Management and Operating Expenses | 1,832,943 | 1,394,195 |
| Reinsurance Fees | 204,750 | 204,750 |
| Premium Taxes | 448,703 | 543,100 |
| Total Operating Expenses | 2,486,397 | 2,142,046 |
| Underwriting Gain (Loss) | (1,539,698) | 1,162,984 |
| Investment Income | 1,094,141 | 1,105,693 |
| Net Gain (Loss) | (\$445,557) | \$2,268,677 |
| Subscribers' Equity - Beginning of Period | \$20,431,343 | \$20,023,669 |
| Less: Adjustment to opening Policy Liabilities | \$0 | \$0 |
| Subscribers' Equity - End of Period | \$19,985,786 | \$22,292,346 |

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED September 30, 2010**

| | Year to date Jan. 2010 to <u>September-10</u> | Previous year Jan. 2009 to <u>September-09</u> |
|---|---|--|
| Net Income | (\$445,557) | \$2,268,677 |
| Other Comprehensive Income (Loss): | | |
| Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year | 547,957 | 187,405 |
| Reclassification of realized gains(losses) to the statement of operations | | |
| Net change in the other comprehensive income for the year | 547,957 | 187,405 |
| Total Comprehensive Income (Loss) | <u>102,401</u> | <u>2,456,082</u> |
| Accumulated Other Comprehensive Income (Loss), beginning of year | \$1,210,485 | \$1,375,708 |
| Other comprehensive income (loss) | 547,957 | 187,405 |
| Balance at end of period | <u>1,758,442</u> | <u>1,563,113</u> |

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE NINE MONTHS ENDED September 30, 2010

| | Annual Budget | | Year to Date Budget % Accrued to Date | \$ | Year to Date Actual \$ | Fav/(Unfav) Variance \$ |
|---|--------------------|------|--|--------------------|------------------------------|-------------------------------|
| MANAGEMENT SERVICES | 498,675 | 75% | | 374,006 | 411,977 | (37,970) |
| PROFESSIONAL SERVICES | | | | | | |
| Actuarial Services | 109,000 | 83% | | 90,470 | 82,004 | 8,466 |
| Reinsurance Matters | 339,000 | 83% | | 281,370 | 332,449 | (51,079) |
| Strategic Matters | 113,000 | 83% | | 93,790 | 103,324 | (9,534) |
| Special, non-recurring | 0 | 83% | | 0 | 0 | 0 |
| Sub-Total Professional Services | 561,000 | | | 465,630 | 517,778 | (52,148) |
| Total Management & Professional Services * (See Note 1) | 1,059,675 | | | 839,636 | 929,755 | (90,119) |
| OTHER EXPENSES | | | | | | |
| Audit Expenses | 64,000 | 75% | | 48,000 | 44,102 | 3,898 |
| Annual Dinner | 5,000 | 100% | | 5,000 | 5,096 | (96) |
| Premium Taxes | 638,000 | 75% | | 478,500 | 448,703 | 29,797 |
| Chairman's Expenses | 2,000 | 75% | | 1,500 | 0 | 1,500 |
| Chairman's Honourium | 60,000 | 100% | | 60,000 | 60,000 | 0 |
| Reinsurance Expense | 10,000 | 75% | | 7,500 | 3,163 | 4,337 |
| Office Expenses | 17,500 | 75% | | 13,125 | 20,970 | (7,845) |
| Office Expenses - Website management software license | 1,800 | 75% | | 1,350 | 1,785 | (435) |
| Claims: Borderaux (LSUC) | 14,500 | 75% | | 10,875 | 15,440 | (4,565) |
| Special Services | 275,000 | 75% | | 206,250 | 551,916 | (345,666) |
| Special Services - Peer Review | 0 | 75% | | 0 | 0 | 0 |
| Miller Insurance Fees (Reins. Comm.) (See Note 2) | 273,000 | 75% | | 204,750 | 204,750 | 0 |
| I.B.C Statistical Plan Fees | 15,000 | 75% | | 11,250 | 6,395 | 4,855 |
| FSCO Assessment Fees | 15,000 | 75% | | 11,250 | (1,494) | 12,744 |
| Investment counsel fees | 124,000 | 75% | | 93,000 | 85,620 | 7,380 |
| Investment - Custodial | 35,000 | 75% | | 26,250 | 25,843 | 407 |
| Risk Management/Loss Prevention | 120,000 | 75% | | 90,000 | 84,353 | 5,647 |
| Sub-total | 1,669,800 | | | 1,268,600 | 1,556,642 | (288,042) |
| TOTAL | \$2,729,475 | | | \$2,108,236 | \$2,486,397 | (378,161) |



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: December 6, 2010

From: Joe Tontini 

To:

| | |
|-------------------|------------------|
| David Morritt | Barry Bresner |
| William Scott | Daniel MacDonald |
| Donald Milner | Chris Woodbury |
| Gordon Goodman | Carol Lyons |
| Les O'Connor | Glenn Leslie |
| Nicholas Leblovic | Gale Rubenstein |
| Julia Holland | |

Copy: Patrick Mahoney

Re: CLLAS Retention

CLLAS' retention has increased five times in the last 15 years. The increases that have occurred in the past four years were driven by cost savings and for strategic reasons relating to the reinsurance market. There was also a conscious decision to follow the recommendations made in the peer review report conducted by Tillinghast which, among other things, recommended that CLLAS retains 100% of the \$7.5 million excess of \$5 million layer.

This memorandum will briefly discuss the history of CLLAS retention changes, the general reasons for increases and decreases in retention levels and the cost benefit relationship of additional retention. It will conclude with a proposed change to the CLLAS maximum retention level with guidelines for the use of that retention.

Retention History

The first significant increase occurred in 2003 when the \$4 million excess of \$1 million layer, previously 50% reinsured, was fully retained for an increase of \$2,000,000. Following that, in-fill/drop-down coverage of \$750,000 excess of \$250,000 was revised in 2008 to \$975,000 excess of \$25,000. The total retention for the first layer is \$4,975,000.

Beginning in 2007, CLLAS has been increasing its retention levels in a systematic manner. This was done to achieve two goals. The first of these is premium savings and this memo will elaborate on the correlation between retention and premium savings. The second objective has been strategic in nature, i.e. to reverse the trend toward increasing rates from underwriters following the hard market associated with 9/11 and the effects of a number of significant claim settlements in 2005 and 2006. Also, it is important to acknowledge that retentions were only increased relative to CLLAS' financial strength which has continued to grow. The following table highlights the CLLAS retention levels and changes by layer as a percent of the total layer:

| | <u>.975 xs .025</u> | <u>4 xs 1</u> | <u>7.5 xs 5</u> | <u>12.5 xs 12.5</u> | <u>10 xs 35</u> | <u>Retention</u> |
|-----------|---------------------|---------------|-----------------|---------------------|-----------------|------------------|
| 2010/2011 | 100.0% | 100.0% | 50.0% | 30.0% | 20.0% | \$ 14,475,000 |
| 2009/2010 | 100.0% | 100.0% | 45.0% | 28.0% | 15.0% | \$ 13,350,000 |
| 2008/2009 | 100.0% | 100.0% | 35.0% | 24.0% | 12.5% | \$ 11,850,000 |
| 2007/2008 | 100.0% | 100.0% | 30.0% | 18.0% | 12.5% | \$ 10,500,000 |
| 2006/2007 | 100.0% | 100.0% | 20.0% | 18.0% | 12.5% | \$ 9,750,000 |
| 2005/2006 | 100.0% | 100.0% | 20.0% | 18.0% | 12.5% | \$ 9,750,000 |
| 2004/2005 | 100.0% | 100.0% | 20.0% | 18.0% | 12.5% | \$ 9,750,000 |
| 2003/2004 | 100.0% | 100.0% | 20.0% | 18.0% | 12.5% | \$ 9,750,000 |
| 2002/2003 | 100.0% | 100.0% | 20.0% | 18.0% | 12.5% | \$ 9,750,000 |
| 2001/2002 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 2000/2001 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 1999/2000 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 1998/1999 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 1997/1998 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 1996/1997 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |
| 1995/1996 | 100.0% | 50.0% | 20.0% | 18.0% | 12.5% | \$ 7,750,000 |

Retention Changes

Appropriate Retention Level

Risk retention should be based primarily on the risk tolerance of the CLLAS subscriber group and its ability to retain risk. The maximum risk retention was initially identified as \$15 million but that level was established at the time CLLAS was formed in 1987. As of September 30, 2010, CLLAS' surplus was a prudent 1.4 times the \$14,475,000 retention, and CLLAS' total assets were eight times the current single claim retention. Note for the sake of clarity that this does not reflect the surplus and assets that exist in Colchester.

The independent review by Tillinghast in 2006/07 suggested that additional retention, including 100% of the \$7.5 million excess of \$5 million layer, was appropriate. We agreed with this recommendation in principle but advised a slow, methodical implementation of such a change in retention.

CLLAS is now essentially at the maximum retention provided for in the Subscribers' Agreement. We recommend that the Subscribers' Agreement be amended to allow the CLLAS Board the flexibility of increasing the maximum retention from \$15 million to \$25 million. The Board

should establish the maximum size of the increase every year and the conditions which should be in effect before the increase takes place.

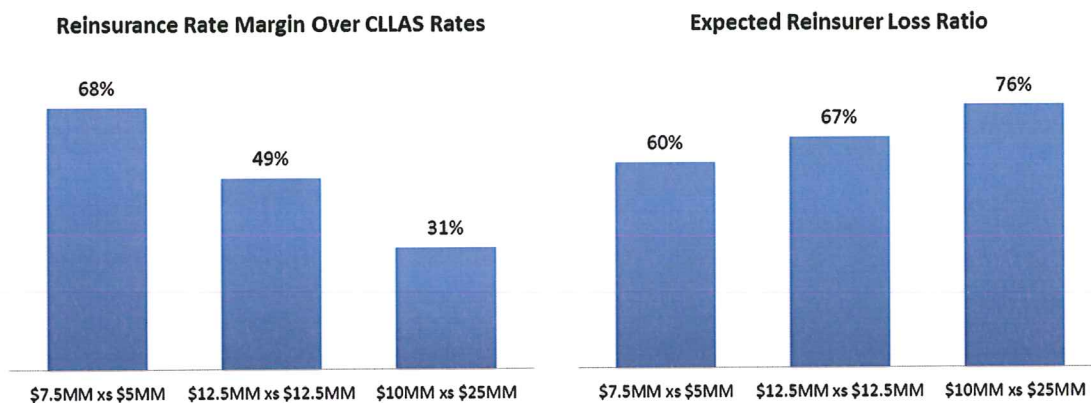
Guidelines for Increasing Retention

Generally, the Board should be guided by the following principles when considering retention increases:

1. The premium for risk transfer is unduly large

This is to say that the additional cost for ceding the risk to insurers/reinsurers, relative to the cost of retention, is too high. This can be measured as the difference between reinsurance rates and the expected loss costs determined each year by CLLAS' actuaries.

The degree to which CLLAS allows rates to exceed loss costs is monitored by either the margin over loss costs or the expected reinsurer loss ratio. These metrics, for the 2010/11 year, are shown below:



2. Strategic Advantage/ Negotiation

In some cases, it is advantageous to take on additional retention in order to send a message to reinsurers that the current rates are diverging from expected loss costs too greatly. Additional retention suggests that CLLAS believes its own claim cost estimates sufficiently to be willing to take on additional risk.

This was the case in recent years (i.e. since 2007) as rates had grown substantially since the 2005/06 spike in claims activity but were no longer reflecting the several years of very quiet claims experience that followed. During renewal negotiations, it was decided to signal to the market that the time was right for a reversal of year-over-year rate increases.

Another situation in which retention may be increased for strategic reasons would be to reduce or remove a problematic reinsurer. Examples include:

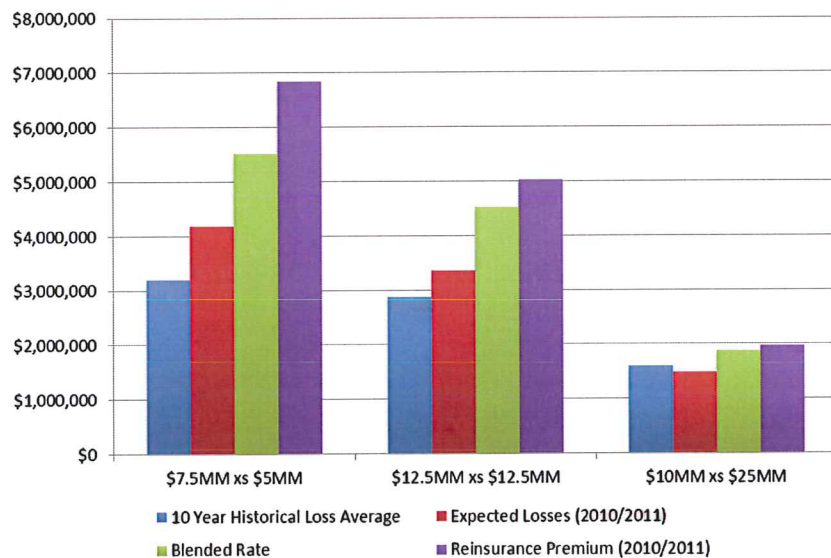
- a) The reinsurer's security rating has been reduced or the reinsurer was placed on a watch list;
- b) The total amount of reinsurance from a single reinsurer is too high (10% of total CLLAS limits has been set as a guideline);
- c) Difficulty collecting on claim payments.

In the event that the markets are unwilling to take on the additional capacity due to any of the reasons above, CLLAS should be able to fill the gap through additional retention.

The decision to increase retention is carefully considered and financial modeling is used to ensure that additional risk does not negatively impact CLLAS in the long term. A full financial model of CLLAS' operations measures the additional volatility of new retention levels, and is used to ensure that CLLAS' regulatory metrics are not unduly impacted. Typically, a portion of the premium savings is retained within CLLAS (as opposed to passing the full amount on via a premium reduction) to manage the impact of additional retention on regulatory requirements.

Cost-benefit Relationship of Additional Retention

Based on the current rates, additional retention of lower layers yields the best savings for each additional dollar of retention. This is because the probability of claims in these layers is much greater and therefore the magnitude of the costs must be correspondingly large. The relative size of the premium is, therefore, larger in the \$7.5 million excess of \$5 million layer compared to the \$12.5 million excess of \$12.5 million layer. The following chart illustrates how additional retention can offer immediate rate relief to the subscriber firms:



The difference between the Reinsurance Premium (purple) and Blended Rate (green) bars quantifies the 2010/11 year expected savings for retention. The difference between the Blended Rate and Expected Loss (red) bars shows available further expected savings for retaining 100% of the layer. The 10-Year Historical Loss Average (blue) bars, which are inclusive of expected future development, are shown for comparison.

One additional issue relates to stop-loss insurance purchased from Colchester. We have found that additional retention in the \$7.5 million excess of \$5 million layer, in particular, has an impact on Colchester's reinsurance costs and this impact needs to be factored in to determine the true savings.

Conclusions

CLLAS' approach to increasing retentions has been to effect slow, gradual increases across all three layers and we recommend continuing with that approach as determined by the Board subject to the above guidelines. Put simply, additional retention is warranted:

- when reinsurance rates are materially higher than CLLAS' estimate of expected loss costs;
- out of strategic necessity (gain credibility, replace problematic reinsurers, etc.).

Due to the leverage that additional retention represents when negotiating rates with reinsurers, we recommend that approval be sought for an additional \$10 million of retention, to a total of \$25 million. With the additional flexibility, CLLAS could continue to move towards full retention of the first layer as prescribed by Tillinghast and increase its retention in the second layer as appropriate. Based on the chart above, there would be little benefit for increased retention in the third layer, although it is important to monitor the cost of that layer as it to some extent sets the stage for the pricing of the commercial layers above it.

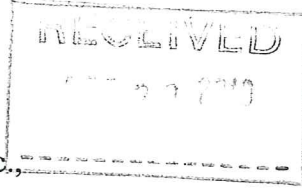
Additional retention is a valuable tool for savings and strategic advantage. In using this tool, it is essential that the downside risk volatility resulting from increased retentions is quantified and accounted for so that any savings does not come at the risk of diminishing long term financial stability.

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

October 21, 2010.

Mr. Patrick Mahoney,
Dion, Durrell + Associates Inc.,
2900 - 250 Yonge St.,
Toronto, ON M5B 2L7



Dear Mr. Mahoney:

Re: Canadian Lawyers Liability Assurance Society

Please find enclosed our quarterly investment report on CLLAS for the period ending September 30 last. We have also included an additional schedule which details the date to date gains and losses for each of the individual holdings in the Long Term Investment Fund over the third quarter.

The originals of the two separate accounts for the Short and the Long Term Investment Funds have been sent to the RBC Dexia Investor Services for payment.

During the third quarter, the domestic yield curve continued to flatten as very short term yields increased, while yields beyond two years moved erratically lower. The end result was positive for fixed income investors as the short and mid term bond indices gained ground. Reflecting higher prices for most of the individual holdings, the Long Term Investment Fund recorded a capital gain of \$364,547.

In terms of activity, it was a busy period due to the investment of the \$5 million addition. Close to 60% of the new funds were invested in the Long Term Investment Fund and the balance was allocated to the Short Term Investment Fund.

Please let me know if there are any questions or comments on the report.

With best regards,

Yours sincerely,

RWB: sc
Enclosures

MARTIN, LUCAS & SEAGRAM LTD.

INDEPENDENT INVESTMENT COUNSEL

SUITE 620, 48 YONGE STREET

TORONTO

M5E 1G9

TELEPHONE: 416-363-6216

FACSIMILE: 416-363-4538

E-MAIL: INFO@MLSINVEST.COM

October 21, 2010.

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund
at September 30, 2010

\$15,076,647

Investment Counsel Fee for the period
July 1 to September 30, 2010
at .025% (1/4 of .10% per annum)

\$3,769.16

Harmonized Sales Tax (HST) at 13%

489.99

\$4,259.15

Please return this account when
making payment so that it may be
receipted and sent back to you.

HST Registration No. R103546115

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

October 21, 2010.

In account with

Canadian Lawyers Liability Assurance Society
- Long Term Investment Fund

| | |
|---|--------------|
| Valuation of Long Term Investment Fund at September 30, 2010 | \$38,986,579 |
|---|--------------|

| | |
|--|-------------|
| Investment Counsel Fee for the period July 1 to September 30, 2010 at .0625% (1/4 of .25% per annum) | \$24,366.61 |
|--|-------------|

| | |
|-----------------------------------|---------------------------|
| Harmonized Sales Tax (HST) at 13% | <u>3,167.66</u> |
| | <u><u>\$27,534.27</u></u> |

Please return this account when
making payment so that it may be
receipted and sent back to you.

HST Registration No. R103546115

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 06-30-10 to 09-30-10

| Security | 06-30-10 Market Value | Additions Withdrawals | 09-30-10 Market Value | 09-30-10 Cost Basis | Realized Gain or Loss | | Unrealized Gain or Loss | |
|--|--------------------------|--------------------------|--------------------------|------------------------|-----------------------|---------------|-------------------------|----------------|
| | | | | | Cost | Market | Cost | Market |
| CASH | | | | | | | | |
| Cash Account | 0 | 0 | 0 | 0 | | | | |
| GOVERNMENT BONDS | | | | | | | | |
| Canada 4% due September 1, 2010 | 502,765 | -510,000 | 0 | 0 | -1,500 | -2,765 | 0 | 0 |
| Canada Housing Trust Sr. 13 4.05% due March 15, 2011 | 1,021,180 | -20,250 | 1,012,980 | 990,150 | 0 | 0 | 22,830 | -8,200 |
| Canada 6% due June 1, 2011 | 1,045,210 | 0 | 1,031,400 | 1,037,325 | 0 | 0 | -5,925 | -13,810 |
| Canada Housing Trust Sr. 14 4.60% due September 15, 2011 | 1,560,150 | -34,500 | 1,545,660 | 1,526,100 | 0 | 0 | 19,560 | -14,490 |
| Farm Credit Canada 4.20% due February 15, 2012 | 522,410 | -10,500 | 518,565 | 506,006 | 0 | 0 | 12,560 | -3,845 |
| Canada Housing Trust Sr. 16 4.00% due June 15, 2012 | 2,300,364 | 0 | 2,291,366 | 2,212,456 | 0 | 0 | 78,910 | -8,998 |
| Canada Housing Trust Sr. 18 4.55% due December 15, 2012 | 797,573 | 0 | 797,363 | 770,425 | 0 | 0 | 26,938 | -210 |
| Canada Housing Trust Sr. 19 3.60% due June 15, 2013 | 938,664 | 0 | 945,135 | 898,840 | 0 | 0 | 46,295 | 6,471 |
| Canada Housing Trust Sr. 22 3.55% due September 15, 2013 | 937,440 | -15,975 | 946,143 | 946,117 | 0 | 0 | 26 | 8,703 |
| Canada Housing Trust Sr. 24 2.7% due December 15, 2013 | 1,672,358 | 0 | 1,695,227 | 1,654,203 | 0 | 0 | 41,024 | 22,869 |
| Canada Housing Trust Sr. 26 2.20% due March 15, 2014 | 1,491,705 | -16,500 | 1,515,885 | 1,497,053 | 0 | 0 | 18,833 | 24,180 |
| Canada Housing Trust Sr. 28 3.15% due June 15, 2014 | 1,026,070 | 0 | 1,043,070 | 999,460 | 0 | 0 | 43,610 | 17,000 |
| Canada Housing Trust Sr. 29 2.75% due September 15, 2014 | 252,113 | 766,513 | 1,028,890 | 1,019,700 | 0 | 0 | 9,190 | 6,828 |
| Canada Mtge & Housing 4.30% due April 1, 2015 | 644,118 | 0 | 655,242 | 605,700 | 0 | 0 | 49,542 | 11,124 |
| Canada Mtge & Housing Corp. 4.10% due October 1, 2015 | 692,816 | 0 | 706,089 | 639,525 | 0 | 0 | 66,564 | 13,273 |
| Canada 4% due June 1, 2016 | 1,078,550 | 0 | 1,099,300 | 995,820 | 0 | 0 | 103,480 | 20,750 |
| Canada Housing Trust Sr. 23 4.10% due December 15, 2018 | 788,250 | 0 | 817,725 | 783,840 | 0 | 0 | 33,885 | 29,475 |
| Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020 | 0 | 1,054,350 | 1,056,090 | 1,054,890 | 0 | 0 | 1,201 | 1,201 |
| GOVERNMENT BONDS Total | 17,271,734 | | 18,706,129 | 18,137,609 | -1,500 | -2,765 | 568,520 | 112,320 |
| PROVINCIAL BONDS | | | | | | | | |
| Ontario 4.4% due December 2, 2011 | 1,250,652 | 0 | 1,241,064 | 1,212,190 | 0 | 0 | 28,874 | -9,588 |
| Ontario 4.50% due December 2, 2012 | 1,323,875 | 0 | 1,325,450 | 1,292,133 | 0 | 0 | 33,317 | 1,575 |
| Ontario 4-3/4% due June 2, 2013 | 1,365,181 | 0 | 1,373,660 | 1,304,990 | 0 | 0 | 68,669 | 8,479 |

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 06-30-10 to 09-30-10

| Security | 06-30-10 Market Value | Additions Withdrawals | 09-30-10 Market Value | 09-30-10 Cost Basis | Realized Gain or Loss | | Unrealized Gain or Loss | |
|--|--------------------------|--------------------------|--------------------------|------------------------|-----------------------|---------------|-------------------------|----------------|
| | | | | | Cost | Market | Cost | Market |
| Manitoba 5.05% due December 3, 2013 | 1,086,680 | 0 | 1,097,180 | 1,016,075 | 0 | 0 | 81,105 | 10,500 |
| Ontario 5% due March 8, 2014 | 814,493 | -18,750 | 824,453 | 769,700 | 0 | 0 | 54,753 | 9,960 |
| Ontario 3.25% due September 8, 2014 | 511,035 | -8,125 | 520,960 | 499,180 | 0 | 0 | 21,780 | 9,925 |
| Alberta 2.75% due December 1, 2014 | 302,718 | 516,493 | 822,352 | 813,148 | 0 | 0 | 9,204 | 7,134 |
| Manitoba 4.80% due December 3, 2014 | 814,583 | 0 | 828,795 | 783,425 | 0 | 0 | 45,370 | 14,213 |
| Ontario 4.5% due March 8, 2015 | 1,447,956 | -30,375 | 1,477,265 | 1,371,933 | 0 | 0 | 105,332 | 29,309 |
| Ontario 3.15% due September 8, 2015 | 0 | 518,699 | 517,555 | 517,750 | 0 | 0 | -195 | -195 |
| Ontario 4.4% due March 8, 2016 | 1,864,013 | -38,500 | 1,914,273 | 1,789,410 | 0 | 0 | 124,863 | 50,260 |
| Ontario 4.30% due March 8, 2017 | 1,843,485 | -37,625 | 1,901,550 | 1,776,025 | 0 | 0 | 125,525 | 58,065 |
| Ontario 4.20% due March 8, 2018 | 1,038,280 | -21,000 | 1,072,870 | 1,003,315 | 0 | 0 | 69,555 | 34,590 |
| PROVINCIAL BONDS Total | 13,662,949 | | 14,917,425 | 14,149,274 | 0 | 0 | 768,151 | 224,226 |
| CORPORATE BONDS | | | | | | | | |
| Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010 | 303,636 | 0 | 301,203 | 301,340 | 0 | 0 | -137 | -2,433 |
| Royal Bank 4.17% Sen. Dep. Note due January 11, 2011 | 304,728 | -6,255 | 302,343 | 300,300 | 0 | 0 | 2,043 | -2,385 |
| Bank of Montreal 4.69% due January 31, 2011 | 509,705 | -11,725 | 505,370 | 521,050 | 0 | 0 | -15,680 | -4,335 |
| CIBC 5.00% Senior Dep Nts due September 10, 2012 | 317,493 | -7,500 | 317,715 | 300,690 | 0 | 0 | 17,025 | 222 |
| Wells Fargo Financial Canada MTN 4.40% due December 12, 2012 | 415,028 | 0 | 416,740 | 399,120 | 0 | 0 | 17,620 | 1,712 |
| Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013 | 796,928 | -18,203 | 798,803 | 760,125 | 0 | 0 | 38,678 | 1,875 |
| Bank of Nova Scotia 4.56% due October 30, 2013 | 264,490 | 0 | 267,195 | 250,175 | 0 | 0 | 17,020 | 2,705 |
| Wells Fargo Financial Canada MTN 4.33% due December 6, 2013 | 310,461 | 0 | 314,262 | 299,920 | 0 | 0 | 14,342 | 3,801 |
| Enbridge Gas Distribution 5.570% due January 29, 2014 | 272,943 | -6,905 | 276,260 | 267,610 | 0 | 0 | 8,650 | 3,318 |
| Canadian Utilities Inc. 5.096% due November 18, 2014 | 271,545 | 0 | 274,480 | 263,910 | 0 | 0 | 10,570 | 2,935 |
| CIBC 4.75% due December 22, 2014 | 534,535 | 0 | 543,350 | 508,980 | 0 | 0 | 34,370 | 8,815 |
| GE Capital Cda Fndg 4.65% due February 11, 2015 | 311,403 | -6,975 | 317,904 | 306,600 | 0 | 0 | 11,304 | 6,501 |
| Royal Bank 3.18% due March 16, 2015 | 0 | 510,711 | 512,295 | 510,755 | 0 | 0 | 1,540 | 1,540 |
| Bank of Montreal 4.55% due August 1, 2017 | 208,610 | -4,550 | 215,106 | 199,882 | 0 | 0 | 15,224 | 6,496 |
| CORPORATE BONDS Total | 4,821,504 | | 5,363,026 | 5,190,457 | 0 | 0 | 172,569 | 30,767 |
| TOTAL PORTFOLIO | 35,756,187 | | 38,986,579 | 37,477,339 | -1,500 | -2,765 | 1,509,240 | 367,312 |
| TOTAL DATE TO DATE GAIN OR LOSS | | | | | | | | 364,547 |
| % CHANGE DURING PERIOD | | | | | | | | 1.02 |

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING SEPTEMBER 30, 2010

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, 2010

Review of Market Yields

The direction of market yields across the curve continued to diverge during the third quarter. Yields at the very short end of the curve again edged higher in response to two 25 basis point rate hikes by the Bank of Canada. These moves resulted in a 37 basis point increase in 3-month Treasury Bills. Meanwhile, longer term yields moved in a bumpy downward trend throughout the quarter and 5 and 10-year Canada yields declined 32 basis points on average.

As a result of these changes, there was a further flattening in the slope of the yield curve. At the end of September, the yield advantage of the 10-year issue over the Treasury Bill shrunk further to 188 basis points, which is a reduction of 70 basis points since the end of June.

| | Jan. 1/95 | Mar. 31/10 | June 30/10 | Sept. 30/10 |
|------------------------|------------------|-------------------|-------------------|--------------------|
| 3-Month Treasury Bills | 6.80% | 0.28% | 0.50% | 0.87% |
| 5-year Canadas | 8.99% | 2.90% | 2.32% | 2.01% |
| 10-year Canadas | 9.09% | 3.56% | 3.08% | 2.75% |

During the third quarter, the valuation of the Long Term Investment Fund rose \$364,547 or 1.0% on a capital basis.

At September 30, 2010, the average term to maturity of the Long Term Investment Fund stood at 3.6 years, unchanged from three months earlier.

During the quarter, \$5 million was added of which approximately \$2.9 million was invested in the Long Term Investment Fund and the balance was allocated to the Short Term Investment Fund. Purchases in the Long Term Fund consisted of two Canada credits, two provincial bonds and one corporate issue. These issues had a range of maturity dates from 2014 to 2020. The balance of activity involved the reinvestment of a Canada maturity into a Canada guaranteed bond.

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

| <i>Distribution as at September 30, 2010</i> | <i>Valuation</i> | <i>%</i> |
|---|-------------------------|-----------------|
| Short Term Investment Fund | \$15,076,647 | 27.9% |
| Long Term Investment Fund | 38,986,579 | 72.1% |
| TOTAL COMBINED VALUATION | \$54,063,226 | 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, 2010
- 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. 31/10 | June 30/10 | Sept. 30/10 |
|---|---------------------------|----------------------------|----------------------------|----------------------------|
| <i>Valuation of Long Term Investment Fund</i> | <i>\$3,466,369</i> | <i>\$36,901,945</i> | <i>\$35,756,187</i> | <i>\$38,986,579</i> |
| Cumulative Capital Added (Net) since January 1, 1995 | | \$31,642,471 | \$30,174,326 | \$33,040,170 |

| | | | | |
|----------------------------|--|-------------|-------------|-------------|
| Quarterly Capital Change | | -\$ 217,532 | +\$ 322,387 | +\$ 364,547 |
| Quarterly Capital % Change | | - 0.6% | + 0.9% | + 1.0% |

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING SEPTEMBER 30, 2010 (ANNUALIZED)

| | Five Years | Four Years | Three Years | Two Years | One Year | Last 3 Months |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>Long Term Investment Fund</i> | <i>5.0</i> | <i>5.4</i> | <i>6.4</i> | <i>6.7</i> | <i>4.6</i> | <i>2.0</i> |
| DEX Canada Short Bond Index | 4.7 | 5.2 | 5.7 | 5.4 | 3.7 | 1.4 |
| DEX Provincial Short Bond Index | 4.9 | 5.4 | 6.1 | 6.3 | 4.3 | 1.9 |

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING SEPTEMBER 30, 2010

| | Since Inception Oct. 1/08 * | One Year | Last 6 Months | Last 3 Months |
|--|-----------------------------------|-------------|------------------|------------------|
| <i>Long Term Investment Fund – Gross of Fees</i> | <i>6.67</i> | <i>4.55</i> | <i>3.98</i> | <i>2.01</i> |
| <i>Long Term Investment Fund – Net of Fees</i> | <i>6.38</i> | <i>4.27</i> | <i>3.84</i> | <i>1.93</i> |
| Benchmark Portfolio ** | 7.12 | 5.49 | 5.16 | 2.52 |

* 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, 2010

| | Since Inception Oct. 1/08 * | One Year | Last 6 Months | Last 3 Months |
|---|-----------------------------------|-------------|------------------|------------------|
| <i>Short Term Investment Fund – Gross of Fees</i> | <i>0.69</i> | <i>0.39</i> | <i>0.27</i> | <i>0.15</i> |
| <i>Short Term Investment Fund – Net of Fees</i> | <i>0.52</i> | <i>0.26</i> | <i>0.21</i> | <i>0.12</i> |
| Benchmark Portfolio ** | 0.55 | 0.25 | 0.17 | 0.09 |

* 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. 31/10 | June 30/10 | Sept. 30/10 |
|--|------------------|-------------------|-------------------|--------------------|
| Bonds, Treasury Bills & Cash Less than 1 year term | 29.0% | 11.2% | 10.3% | 12.1% |
| Canadas Greater than 1 year term | 54.7% | 42.2% | 41.1% | 38.8% |
| Provincials Greater than 1 year term | 16.3% | 36.5% | 38.2% | 38.3% |
| Corporates Greater than 1 year term | - | 10.1% | 10.4% | 10.8% |
| 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. 31/10 | June 30/10 | Sept. 30/10 |
|-------------------------------|------------------|-------------------|-------------------|--------------------|
| Under 1 year | 29.0% | 11.2% | 10.3% | 12.1% |
| 1 - 3 years | 19.8% | 28.0% | 32.4% | 28.1% |
| 3 - 5 years | 29.3% | 39.1% | 36.3% | 37.3% |
| 5 - 7 years | 11.4% | 16.2% | 15.3% | 15.0% |
| 7 - 10 years | 10.5% | 5.4% | 5.7% | 7.5% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% |
| Average Maturity (yrs) | 2.6 | 3.7 | 3.6 | 3.6 |
| Average Duration | 2.3 | 3.3 | 3.2 | 3.3 |

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT SEPTEMBER 30, 2010

| | 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 | 27.9% | Yes |
| Minimum Canada & Provincial Percentage | 50% | 23.9% | No |
| 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 | 9.5 years | Yes |
| Minimum Cda and Cda Guarantee Percentage | 40% | 48.0% | Yes |
| Maximum Provincial Percentage | 40% | 38.3% | Yes |
| Minimum Provincial Quality * | A | A | Yes |
| Maximum Corporate Percentage | 20% | 13.7% | Yes |
| Minimum Corporate Quality * | A | A | Yes |

** At time of purchase*

During the quarter, the distribution of credits in the Short Term Investment Fund fell below the 50% limit for Canada and Provincial credits. This reflected the impact of the capital addition, which was predominantly invested in very short term Bankers Acceptance, and the lack of suitably-priced government and provincial credits that were available to replace similar credits that matured. Most of the Short Term portfolio's holdings will be maturing during the fourth quarter and, with the noticeable improvement in the availability and yields of Canada Treasury Bills, the Short Term Investment Fund will be brought into compliance prior to year end. The balance of 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 27.9% of the two Funds combined, which is above the 20% minimum required. At September 30, none of the bond holdings' current credit ratings were 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

Martin, Lucas & Seagram Ltd.
PERFORMANCE REPORT
GROSS OF FEES
CLLAS - LONG TERM INVESTMENT FUND
From 06-30-10 to 09-30-10

| | |
|-----------------------------|--------------|
| Portfolio Value on 06-30-10 | 35,756,187 |
| Accrued Interest | 271,049 |
| Contributions | 3,387,529 |
| Withdrawals | -844,975 |
| Realized Gains | -2,765 |
| Unrealized Gains | 367,312 |
| Interest | 323,291 |
| Dividends | 0 |
| Change in Accrued Interest | 36,259 |
| Portfolio Value on 09-30-10 | 38,986,579 |
| Accrued Interest | 307,308 |
| Average Capital | 36,337,546 |
| Total Gain before Fees | 724,097 |
| IRR for 0.25 Years | 1.99% |

BOND MARKET COMMENTARY AND FUTURE POLICY

The North American economic expansion, which by most measures has been in place for more than a year, has cooled over the past few months. In the U.S., GDP growth deteriorated from a 5% inventory-led bounce during the fourth quarter of last year to 3.7% in the first quarter and just 1.7% for the second quarter. The Canadian economy has also experienced sequentially slower growth as second quarter GDP fell back to 2%, following a robust gain of 5.8% during the previous quarter. As a result, the overall pace of the expansion to date has been significantly less than a typical recovery cycle.

Despite the softening in economic growth, the Bank of Canada became the first among the G8 countries to begin tightening monetary policy. Starting with an initial quarter percent administered rate hike in June, the Bank has followed with two more quarter point increases since then. In contrast, during this same period, the U.S. Federal reserve backtracked from earlier discussions surrounding the gradual removal of their extraordinarily stimulative monetary measures. Instead, the Fed began actively considering another round of aggressive monetary stimulus, due to growing concerns over the economy's prospects. With no room left to lower administered interest rates, this would entail restarting quantitative easing and the adoption of additional unconventional measures.

Meanwhile, the global economic expansion has stayed intact, although some economies have lost upward momentum and the rate of improvement remains unbalanced across regions. Strong growth in most emerging Asian economies continues to power the expansion, and China, which recently surpassed Japan as the second largest economy, remains a key driver of the global recovery. Among the industrialized countries, Japan continues to struggle with deflationary pressures and the German economy, which had been an unexpected bright spot in Europe, shows signs of cooling. Across Europe, the sovereign debt crisis has receded since the adoption of a massive emergency lending package and the latest figures show that euro-zone GDP growth held positive at 1%. However, their debt and deficit issues are far from resolved and problems in the financial and currency markets continue to flare. The implementation of austerity measures among the largest sovereign debtors is already weighing on activity and will remain a significant drag for some time.

The deterioration in the global picture during the summer months rattled investor confidence and shifted the debate away from the likely speed and magnitude of the expansion to whether a double-dip recession could be avoided. As uncertainty surrounding the global economy's direction increased, pessimism among investors began to build and equity prices settled into an uneasy trading range and became very sensitive to each new economic release. Bond prices, on the other hand, climbed gradually higher as investors' risk appetite waned. In the wake of lowered expectations, stocks then surged higher in September as investor sentiment was buoyed by data showing the economy was not slowing as rapidly as initially feared. While this renewed optimism would have normally put downward pressure on bonds, prices continued to climb as investors became increasingly convinced that the U.S. Fed would resume bond purchases in order to drive longer term yields lower.

With stimulative fiscal measures winding down in developed countries and developing countries tightening credit to avoid overheating, the pace of expansion is expected to remain slow. Ongoing weakness in the housing and employment sector will also keep U.S. consumers from adding much fuel to the recovery near term, even if the Fed does apply additional monetary measures. Looking ahead, we still believe a prolonged period of subpar economic growth is the most likely scenario and expect growth in China and other developing nations will keep the global expansion intact. However, the stock and bond markets are sending conflicting signals and we think investors should not rule out the possibility of another contraction. While double-dip recessions are a rare occurrence, a weak uneven expansion is more vulnerable to shocks. As a result, adverse events in the finance or political arenas could still derail the recovery, particularly as governments' capacity to backstop the economy are now more limited.

Over the near term, we expect the lack of clarity surrounding the prospects for the economy will keep bond prices in a sideways trading range. While bond yields have fallen to near record lows, we think the sluggish growth outlook, subdued inflation expectations and the likelihood of a new round of quantitative easing by the Fed will support the recent improvement in prices and a new lower range for yields. Looking longer term, we remain concerned about the prospects for bond prices given the likely path of future economic growth and the eventual normalization of monetary policy. However, as mentioned in our previous report, we think these upward pressures on yields will be slower to unfold. A more somber economic forecast from the Bank of Canada has reinforced this view. The Bank recently indicated that further domestic rate increases could be delayed, possibly well into next year, and it does not expect inflation to increase to its 2% target for another two years.

Turning to the portfolio, during the third quarter, the transactions held the average term to maturity of the Long Term Investment Fund at 3.6 years. We think this term and the laddered maturity structure of the holdings provide a prudent balance between the shorter term prospects for bond prices and the longer term risks.

RWB: sc

October 21, 2010

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.

CLLAS - SHORT TERM INVESTMENT FUND**Portfolio Holdings at September 30, 2010**

| Quantity | Security | Unit Cost | Price | Market Value | Annual Income |
|----------------------------|--|----------------------|--------------|-------------------------|--------------------------|
| CASH | | | | | |
| | Cash Account | | | 10,404 | 0 |
| MONEY MARKET ISSUES | | | | | |
| 325,000 | Bank of Nova Scotia BA .70% due October 1, 2010 | 99.94 | 100.00 | 324,990 | 2,274 |
| 725,000 | Royal Bank BA .90% due October 8, 2010 | 99.92 | 99.98 | 724,834 | 6,520 |
| 1,200,000 | Canada Treasury Bill .68% due October 14, 2010 | 99.94 | 99.97 | 1,199,604 | 8,155 |
| 1,050,000 | Royal Bank BA .96% due October 19, 2010 | 99.92 | 99.94 | 1,049,327 | 10,072 |
| 725,000 | CIBC BA .70% due October 20, 2010 | 99.88 | 99.94 | 724,588 | 5,069 |
| 2,000,000 | Royal Bank BA .70% due October 25, 2010 | 99.83 | 99.93 | 1,998,572 | 13,976 |
| 1,200,000 | Canada Treasury Bill .70% due November 10, 2010 | 99.88 | 99.91 | 1,198,872 | 8,390 |
| 1,000,000 | CIBC BA 1.02% due November 12, 2010 | 99.84 | 99.87 | 998,722 | 10,184 |
| 2,000,000 | Bank of Nova Scotia BA 1.00% due November 15, 2010 | 99.83 | 99.86 | 1,997,296 | 19,967 |
| 1,490,000 | Toronto Dominion Bank BA 1.0% due November 26, 2010 | 99.84 | 99.84 | 1,487,580 | 14,876 |
| 675,000 | CIBC BA .85% due November 30, 2010 | 99.79 | 99.81 | 673,694 | 5,725 |
| 1,500,000 | CIBC BA 1.07% due December 13, 2010 | 99.74 | 99.77 | 1,496,498 | 16,008 |
| | | | | <hr/> 13,874,577 | <hr/> 121,216 |
| PROVINCIAL BONDS | | | | | |
| 500,000 | Ontario 6.10% due November 19, 2010 | 102.12 | 100.60 | 503,005 | 30,500 |
| 690,000 | Ontario Residue due November 19, 2010 | 99.78 | 99.81 | 688,661 | 5,451 |
| | | | | <hr/> 1,191,666 | <hr/> 35,951 |
| TOTAL PORTFOLIO | | | | 15,076,647 | 157,167 |

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-10 To 09-30-10

| Trade Date | Settle Date | Quantity | Security | Unit Price | Amount |
|------------------|-------------|-----------|--|------------|----------------------|
| PURCHASES | | | | | |
| 07-15-10 | 07-16-10 | 4,000,000 | CIBC BA .50% due July 21, 2010 | 99.99 | 3,999,728.00 |
| 07-21-10 | 07-22-10 | 900,000 | CIBC BA .70% due July 26, 2010 | 99.99 | 899,930.70 |
| 07-21-10 | 07-22-10 | 3,100,000 | CIBC BA .70% due July 28, 2010 | 99.99 | 3,099,643.50 |
| 07-28-10 | 07-29-10 | 2,000,000 | CIBC BA .70% due September 27, 2010 | 99.89 | 1,997,702.00 |
| 07-28-10 | 07-29-10 | 725,000 | Ontario Coupon due September 8, 2010 | 99.94 | 724,560.65 |
| 07-28-10 | 07-29-10 | 2,000,000 | Royal Bank BA .70% due October 25, 2010 | 99.83 | 1,996,630.00 |
| 08-18-10 | 08-19-10 | 650,000 | Bank of Nova Scotia BA .70% due September 17, 2010 | 99.94 | 649,638.60 |
| 08-20-10 | 08-23-10 | 1,350,000 | Bank of Nova Scotia BA .70% due September 17, 2010 | 99.95 | 1,349,353.35 |
| 08-20-10 | 08-23-10 | 725,000 | CIBC BA .70% due October 20, 2010 | 99.88 | 724,137.25 |
| 08-31-10 | 09-01-10 | 325,000 | Bank of Nova Scotia BA .70% due October 1, 2010 | 99.94 | 324,813.13 |
| 08-31-10 | 09-01-10 | 675,000 | CIBC BA .85% due November 30, 2010 | 99.79 | 673,587.90 |
| 09-08-10 | 09-09-10 | 725,000 | Royal Bank BA .90% due October 8, 2010 | 99.92 | 724,453.35 |
| 09-14-10 | 09-15-10 | 2,000,000 | Bank of Nova Scotia BA 1.00% due November 15, 2010 | 99.83 | 1,996,664.00 |
| 09-14-10 | 09-15-10 | 1,500,000 | CIBC BA 1.07% due December 13, 2010 | 99.74 | 1,496,097.00 |
| 09-14-10 | 09-15-10 | 1,200,000 | Canada Treasury Bill .68% due October 14, 2010 | 99.94 | 1,199,294.40 |
| 09-14-10 | 09-15-10 | 1,200,000 | Canada Treasury Bill .70% due November 10, 2010 | 99.88 | 1,198,584.00 |
| 09-16-10 | 09-17-10 | 1,000,000 | CIBC BA 1.02% due November 12, 2010 | 99.84 | 998,438.00 |
| 09-16-10 | 09-17-10 | 1,050,000 | Royal Bank BA .96% due October 19, 2010 | 99.92 | 1,049,116.95 |
| 09-27-10 | 09-28-10 | 1,490,000 | Toronto Dominion Bank BA 1.0% due November 26, 2010 | 99.84 | 1,487,595.14 |
| | | | | | 26,589,967.92 |

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-10 To 09-30-10

| Trade Date | Settle Date | Quantity | Security | Unit Price | Amount |
|--------------|-------------|-----------|--|------------|----------------------|
| SALES | | | | | |
| 07-16-10 | 07-16-10 | 1,350,000 | CIBC BA .46% due July 16, 2010 | 100.00 | 1,350,000.00 |
| 07-16-10 | 07-16-10 | 2,150,000 | CIBC BA .48% due July 16, 2010 | 100.00 | 2,150,000.00 |
| 07-16-10 | 07-16-10 | 500,000 | Quebec Hydro Coupon due July 16, 2010 | 100.00 | 500,000.00 |
| 07-21-10 | 07-21-10 | 4,000,000 | CIBC BA .50% due July 21, 2010 | 100.00 | 4,000,000.00 |
| 07-25-10 | 07-25-10 | 740,000 | Manitoba Coupon due July 25, 2010 | 100.00 | 740,000.00 |
| 07-26-10 | 07-26-10 | 900,000 | CIBC BA .70% due July 26, 2010 | 100.00 | 900,000.00 |
| 07-28-10 | 07-28-10 | 3,100,000 | CIBC BA .70% due July 28, 2010 | 100.00 | 3,100,000.00 |
| 08-19-10 | 08-19-10 | 615,000 | Bank of Nova Scotia BA .53% due August 19, 2010 | 100.00 | 615,000.00 |
| 08-23-10 | 08-23-10 | 500,000 | British Columbia 6.375% due August 23, 2010 | 100.00 | 500,000.00 |
| 08-23-10 | 08-23-10 | 1,550,000 | British Columbia Coupon due August 23, 2010 | 100.00 | 1,550,000.00 |
| 09-01-10 | 09-01-10 | 500,000 | CIBC BA .55% due September 1, 2010 | 100.00 | 500,000.00 |
| 09-01-10 | 09-01-10 | 525,000 | PRN Canada due September 1, 2010 | 100.00 | 525,000.00 |
| 09-08-10 | 09-08-10 | 725,000 | Ontario Coupon due September 8, 2010 | 100.00 | 725,000.00 |
| 09-15-10 | 09-15-10 | 3,000,000 | Residue Canada Housing Trust due September 15, 2010 | 100.00 | 3,000,000.00 |
| 09-17-10 | 09-17-10 | 2,000,000 | Bank of Nova Scotia BA .70% due September 17, 2010 | 100.00 | 2,000,000.00 |
| 09-27-10 | 09-27-10 | 2,000,000 | CIBC BA .70% due September 27, 2010 | 100.00 | 2,000,000.00 |
| | | | | | 24,155,000.00 |

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 07-01-10 To 09-30-10

| | | |
|--|------------------|----------------------|
| Cash Balance at July 1, 2010 | | 7,890.87 |
| ADD: Proceeds from Sales | 24,155,000.00 | |
| Capital Added | 5,000,000.00 | |
| Bond Interest Credited (from Long Term Investment Fund) | 344,975.27 | |
| Bond Interest Credited (from Short Term Investment Fund) | <u>15,937.50</u> | <u>29,515,912.77</u> |
| | | 29,523,803.64 |
| LESS: Cost of Purchases | 26,589,967.92 | |
| Transfer to Long Term Investment Fund | 2,887,529.03 | |
| Investment Counsel Fees - Short Term Investment Fund | 3,315.74 | |
| Investment Counsel Fees - Long Term Investment Fund | 23,465.00 | |
| Trust Company Charges | <u>9,121.66</u> | <u>29,513,399.35</u> |
| Cash Balance at September 30, 2010 | | 10,404.29 |

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2010

| Quantity | Security | Unit Cost | Price | Market Value | Annual Income |
|-------------------------|---|----------------------|--------------|-------------------------|--------------------------|
| GOVERNMENT BONDS | | | | | |
| 1,000,000 | Canada Housing Trust Sr. 13 4.05% due March 15, 2011 | 99.02 | 101.30 | 1,012,980 | 40,500 |
| 1,000,000 | Canada 6% due June 1, 2011 | 103.73 | 103.14 | 1,031,400 | 60,000 |
| 1,500,000 | Canada Housing Trust Sr. 14 4.60% due September 15, 2011 | 101.74 | 103.04 | 1,545,660 | 69,000 |
| 500,000 | Farm Credit Canada 4.20% due February 15, 2012 | 101.20 | 103.71 | 518,565 | 21,000 |
| 2,200,000 | Canada Housing Trust Sr. 16 4.00% due June 15, 2012 | 100.57 | 104.15 | 2,291,366 | 88,000 |
| 750,000 | Canada Housing Trust Sr. 18 4.55% due December 15, 2012 | 102.72 | 106.32 | 797,363 | 34,125 |
| 900,000 | Canada Housing Trust Sr. 19 3.60% due June 15, 2013 | 99.87 | 105.02 | 945,135 | 32,400 |
| 900,000 | Canada Housing Trust Sr. 22 3.55% due September 15, 2013 | 105.12 | 105.13 | 946,143 | 31,950 |
| 1,650,000 | Canada Housing Trust Sr. 24 2.7% due December 15, 2013 | 100.25 | 102.74 | 1,695,227 | 44,550 |
| 1,500,000 | Canada Housing Trust Sr. 26 2.20% due March 15, 2014 | 99.80 | 101.06 | 1,515,885 | 33,000 |
| 1,000,000 | Canada Housing Trust Sr. 28 3.15% due June 15, 2014 | 99.95 | 104.31 | 1,043,070 | 31,500 |
| 1,000,000 | Canada Housing Trust Sr. 29 2.75% due September 15, 2014 | 101.97 | 102.89 | 1,028,890 | 27,500 |
| 600,000 | Canada Mtge & Housing 4.30% due April 1, 2015 | 100.95 | 109.21 | 655,242 | 25,800 |
| 650,000 | Canada Mtge & Housing Corp. 4.10% due October 1, 2015 | 98.39 | 108.63 | 706,089 | 26,650 |
| 1,000,000 | Canada 4% due June 1, 2016 | 99.58 | 109.93 | 1,099,300 | 40,000 |
| 750,000 | Canada Housing Trust Sr. 23 4.10% due December 15, 2018 | 104.51 | 109.03 | 817,725 | 30,750 |
| 1,000,000 | Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020 | 105.49 | 105.61 | 1,056,090 | 37,500 |
| | | | | <hr/> 18,706,129 | <hr/> 674,225 |
| PROVINCIAL BONDS | | | | | |
| 1,200,000 | Ontario 4.4% due December 2, 2011 | 101.02 | 103.42 | 1,241,064 | 52,800 |
| 1,250,000 | Ontario 4.50% due December 2, 2012 | 103.37 | 106.04 | 1,325,450 | 56,250 |
| 1,275,000 | Ontario 4-3/4% due June 2, 2013 | 102.35 | 107.74 | 1,373,660 | 60,563 |

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2010

| Quantity | Security | Unit Cost | Price | Market Value | Annual Income |
|-----------|--|--------------|--------|-----------------|------------------|
| 1,000,000 | Manitoba 5.05% due December 3, 2013 | 101.61 | 109.72 | 1,097,180 | 50,500 |
| 750,000 | Ontario 5% due March 8, 2014 | 102.63 | 109.93 | 824,453 | 37,500 |
| 500,000 | Ontario 3.25% due September 8, 2014 | 99.84 | 104.19 | 520,960 | 16,250 |
| 800,000 | Alberta 2.75% due December 1, 2014 | 101.64 | 102.79 | 822,352 | 22,000 |
| 750,000 | Manitoba 4.80% due December 3, 2014 | 104.46 | 110.51 | 828,795 | 36,000 |
| 1,350,000 | Ontario 4.5% due March 8, 2015 | 101.62 | 109.43 | 1,477,265 | 60,750 |
| 500,000 | Ontario 3.15% due September 8, 2015 | 103.55 | 103.51 | 517,555 | 15,750 |
| 1,750,000 | Ontario 4.4% due March 8, 2016 | 102.25 | 109.39 | 1,914,273 | 77,000 |
| 1,750,000 | Ontario 4.30% due March 8, 2017 | 101.49 | 108.66 | 1,901,550 | 75,250 |
| 1,000,000 | Ontario 4.20% due March 8, 2018 | 100.33 | 107.29 | 1,072,870 | 42,000 |
| | | | | 14,917,425 | 602,613 |

CORPORATE BONDS

| | | | | | |
|---------|---|--------|--------|---------|--------|
| 300,000 | Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010 | 100.45 | 100.40 | 301,203 | 12,750 |
| 300,000 | Royal Bank 4.17% Sen. Dep. Note due January 11, 2011 | 100.10 | 100.78 | 302,343 | 12,510 |
| 500,000 | Bank of Montreal 4.69% due January 31, 2011 | 104.21 | 101.07 | 505,370 | 23,450 |
| 300,000 | CIBC 5.00% Senior Dep Nts due September 10, 2012 | 100.23 | 105.91 | 317,715 | 15,000 |
| 400,000 | Wells Fargo Financial Canada MTN 4.40% due December 12, 2012 | 99.78 | 104.19 | 416,740 | 17,600 |
| 750,000 | Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013 | 101.35 | 106.51 | 798,803 | 36,405 |
| 250,000 | Bank of Nova Scotia 4.56% due October 30, 2013 | 100.07 | 106.88 | 267,195 | 11,400 |
| 300,000 | Wells Fargo Financial Canada MTN 4.33% due December 6, 2013 | 99.97 | 104.75 | 314,262 | 12,990 |
| 250,000 | Enbridge Gas Distribution 5.570% due January 29, 2014 | 107.04 | 110.50 | 276,260 | 13,925 |
| 250,000 | Canadian Utilities Inc. 5.096% due November 18, 2014 | 105.56 | 109.79 | 274,480 | 12,740 |

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at September 30, 2010

| Quantity | Security | Unit Cost | Price | Market Value | Annual Income |
|------------------------|--|----------------------|--------------|-------------------------|--------------------------|
| 500,000 | CIBC 4.75% due December 22, 2014 | 101.80 | 108.67 | 543,350 | 23,750 |
| 300,000 | GE Capital Cda Fndg 4.65% due February 11, 2015 | 102.20 | 105.97 | 317,904 | 13,950 |
| 500,000 | Royal Bank 3.18% due March 16, 2015 | 102.15 | 102.46 | 512,295 | 15,900 |
| 200,000 | Bank of Montreal 4.55% due August 1, 2017 | 99.94 | 107.55 | 215,106 | 9,100 |
| | | | | <hr/> 5,363,026 | <hr/> 231,470 |
| TOTAL PORTFOLIO | | | | 38,986,579 | 1,508,308 |

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-10 To 09-30-10

| Trade Date | Settle Date | Quantity | Security | Unit Price | Amount |
|------------------|----------------|----------|--|---------------|---------------------|
| PURCHASES | | | | | |
| 08-31-10 | 09-03-10 | 500,000 | Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020 | 106.50 | 532,489.50 |
| 09-14-10 | 09-15-10 | 500,000 | Alberta 2.75% due December 1, 2014 | 102.50 | 512,500.00 |
| 09-14-10 | 09-15-10 | 500,000 | Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020 | 104.48 | 522,400.00 |
| 09-14-10 | 09-15-10 | 750,000 | Canada Housing Trust Sr. 29 2.75% due September 15, 2014 | 102.66 | 769,950.00 |
| 09-14-10 | 09-15-10 | 500,000 | Royal Bank 3.18% due March 16, 2015 | 102.15 | 510,755.00 |
| 09-27-10 | 09-30-10 | 500,000 | Ontario 3.15% due September 8, 2015 | 103.55 | 517,750.00 |
| | | | | | 3,365,844.50 |
| SALES | | | | | |
| 09-01-10 | 09-01-10 | 500,000 | Canada 4% due September 1, 2010 | 100.00 | 500,000.00 |
| | | | | | 500,000.00 |

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 07-01-10 To 09-30-10

| | | | |
|---|--|---------------------|---------------------|
| Cash Balance at July 1, 2010 | | | 0.00 |
| ADD: | Proceeds from Sale | 500,000.00 | |
| | Transfer from Short Term Investment Fund | <u>2,887,529.03</u> | <u>3,387,529.03</u> |
| | | | 3,387,529.03 |
| LESS: | Cost of Purchases | 3,365,844.50 | |
| | Accrued Bond Interest on Purchases | <u>21,684.53</u> | <u>3,387,529.03</u> |
| Cash Balance at September 30, 2010 | | | 0.00 |