



## ADVISORY BOARD MEETING

| <u>Board Member</u> | <u>Alternate</u> | <u>Board Member</u> | <u>Alternate</u>   |
|---------------------|------------------|---------------------|--------------------|
| David Morritt       | Lyndon Barnes    | Donald Milner       | S. Bruce Blain     |
| Barry Bresner       | Robert Love      | Gordon Goodman      | Anne-Marie Widener |
| Mike Swartz         | Reta Coburn      | Ken Crofoot         | Eugene Cipparone   |
| Julia Holland       | James C. Tory    | Nicholas Leblovic   | Natasha MacParland |
| William Scott       | Malcolm Mercer   | Daniel MacDonald    | Carol Lyons        |
| John Esvelt         | Shayna Staniloff |                     |                    |

Wednesday, December 7, 2016

8:30 a.m.

Davies Ward Phillips & Vineberg LLP

40<sup>th</sup> Floor, RBC Centre

155 Wellington Street West

Toronto, Ontario

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DIAL-IN INFORMATION for those participating by phone:

|                  |                |
|------------------|----------------|
| Toronto:         | 416-933-8665   |
| Canada/US:       | 1-888-402-9166 |
| Conference ID #: | 2675844#       |

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## AGENDA

|   | <u>Responsibility</u> | <u>Tab</u> |
|---|-----------------------|------------|
| 1. Constitution of Meeting  | Nicholas Leblovic     |            |
| 2. Appointment of Secretary   | Nicholas Leblovic     |            |
| 3. Approval of the Minutes of the September 7, 2016<br>Advisory Board Meeting | Nicholas Leblovic     | A          |
| 4. Comments of the Chair  | Nicholas Leblovic     |            |
| 5. CLLAS Expansion  | Joe Tontini           | B          |



|   | <u>Responsibility</u> | <u>Tab</u> |
|---|-----------------------|------------|
| 6. Report of the General Manager's Office   | Patrick Mahoney       |            |
| ➤ Management Financial Statements at September 30, 2016   |                       | C          |
| ➤ Upcoming Five-year Underwriting Period Renewal  |                       | D          |
| ➤ Subscriber Accounts at June 30, 2016  |                       | E          |
| ➤ Summary of Board Self-Evaluation  |                       | F          |
| 7. Report of the Claims Committee   | Barry Bresner         |            |
| 8. Report of the Risk Management Committee  | Julia Holland         |            |
| 9. Report of the Policy Committee   | Donald Milner         |            |
| ➤ Subscribers' Agreement Update   |                       |            |
| ➤ Cyber-Coverage Initiative -Update   |                       |            |
| 10. Report of the Audit Committee   | Gordon Goodman        |            |
| ➤ Reinsurance Security - Update   |                       |            |
| 11. Report of the Investment Manager at September 30, 2016<br>(confirmation of Investment Guidelines) | Patrick Mahoney       | G          |
| 12. Other Business<br>Annual Dinner – May 4, 2017   | Nicholas Leblovic     |            |
| 13. 2017 Meetings – Proposed Dates  | Nicholas Leblovic     |            |
| ➤ Wednesday, February 22, 2017  |                       |            |
| ➤ Wednesday, June 21, 2017  |                       |            |
| ➤ Wednesday, September 6, 2017  |                       |            |
| ➤ Wednesday, December 6, 2017   |                       |            |

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

**Minutes of a Meeting of the Advisory Board**

8:30 a.m.  
Davies Ward Phillips & Vineberg LLP  
40<sup>th</sup> Floor, RBC Centre  
155 Wellington Street West  
Toronto, Ontario

**Wednesday, September 7, 2016**

**Present:**

|  |                                      |
|--|--------------------------------------|
| Nicholas Leblovic (Chair)              | Davies Ward Phillips & Vineberg LLP  |
| Robert Love                            | Borden Ladner Gervais LLP            |
| Gordon Goodman                         | Cassels Brock & Blackwell LLP        |
| John Esvelt                            | Dentons LLP                          |
| Ken Crofoot                            | Goodmans LLP                         |
| Bill Scott                             | McCarthy Tétrault LLP                |
| Julia Holland (via phone)              | Torys LLP                            |
| Reta Coburn/Mike Swartz<br>(via phone) | WeirFoulds LLP                       |
| Patrick Mahoney                        | Office of the General Manager, CLLAS |
| Norma Ibbetson                         | Office of the General Manager, CLLAS |
| Joe Tontini                            | Axxima                               |
| Ryan Durrell                           | Axxima                               |

**Absent:**

|               |                               |
|---------------|-------------------------------|
| Donald Milner | Fasken Martineau DuMoulin LLP |
| David Morritt | Osler, Hoskin & Harcourt LLP  |
| Dan MacDonald | McMillan LLP                  |

**1. Constitution of Meeting**

The Chair brought the meeting to order.

**2. Appointment of Secretary**

Norma Ibbetson acted as Secretary.

**3. Approval of Minutes of the June 22, 2016 Meeting of the Advisory Board**

**It was moved by Ken Crofoot and seconded by Bill Scott that the minutes of the June 22, 2016 meeting of the Advisory Board be approved, as amended. The motion was carried unanimously.**

4. **Comments of the Chair**

All business arising out of the minutes will be dealt with elsewhere in the agenda.

5. **Report of the General Manager's Office**

*Financial Statements Quarter Ending June 30, 2016*

Mr. Mahoney discussed CLLAS' financial management report as at June 30, 2016.

**Financial Results**

CLLAS experienced a small underwriting loss of \$84,000 for the first six months of 2016. After taking into account investment income (including unrealized gains arising during the period) the loss turned into a small gain of \$32,000.

Expenses for the first six months are about 10% (\$145,000) under budget. The first six months of the year are typically the most active for CLLAS, due to year-end activity in the first quarter and reinsurance renewal work in the second quarter. As a result, barring unforeseen circumstances, management expects operating expenses to finish the year under budget.

At June 30, 2016, CLLAS had a surplus of \$14.2 million.

CLLAS monitors a solvency test known as the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF"). At June 30, 2016, CLLAS had cash and approved securities well in excess of the minimum requirement. CLLAS also monitors its Minimum Capital Test ratio. At December 31, 2015, CLLAS' MCT ratio was 359%. At June 30, 2016, it is estimated to be 407%, again well in excess of regulatory expectations.

Mr. Mahoney referred the Board to Exhibit V of the financial management report, which presents the results of various "risk metrics" monitored by CLLAS. The Exhibit has been refined to improve enhance readability and colour coding has been added to indicate where the result falls in terms of CLLAS's risk targets and limits. The Exhibit shows results for CLLAS at December 31, 2014, December 31, 2015 and June 30, 2016 against risk targets and risk limits. The results for June 30, 2016 are all within CLLAS' risk tolerances, except that, as noted in Footnote 4, one reinsurer no longer on the CLLAS program has an AM Best rating lower than CLLAS' current standard.

*Enterprise Risk Management (ERM) Policy*

Mr. Mahoney reviewed the draft ERM policy that was provided with the Board package. The ERM policy is intended to be a living document which documents CLLAS' risk appetite, risk target/limits and risk monitoring, and it sets out responsibilities for various elements of CLLAS' ERM. Various elements of the policy have been reviewed by the Board in the past.

**It was moved by Gordon Goodman and seconded by Mike Swartz that ERM policy dated September 7, 2016 be adopted as presented. The motion was carried unanimously.**

#### *Board Self-Evaluation*

In its January 17, 2014 Examination Report, the Alberta Superintendent recommended that CLLAS establish a process to evaluate the Board's performance. The General Manager's office together with the Chair have considered how best to address this recommendation, and suggest that the Board conduct a self-evaluation survey. A draft survey was included with the Board meeting material. It is proposed that the survey be conducted in the Fall, with the results summarized and presented on an anonymous basis at the December Board meeting.

After discussion, it was agreed to proceed with the survey in the Fall. An additional section providing a space for open-ended input will be added. The Board also requested that CLLAS' General Manager's office complete the survey.

#### *Blakes - Update*

Blakes withdrew from CLLAS June 30, 2012. The Subscribers Agreement sets an expectation that surplus may become available at the end of five years. It is unlikely all of Blakes' surplus as at June 30, 2017 would in fact be available given the long tail nature of CLLAS' claims, but Mr. Mahoney advised that he and the Chair would be meeting with Blakes later in September to ensure that everyone's expectations with respect to surplus are similar. John Esvelt advised that he likely had a conflict as Dentons has advised that it will be withdrawing from CLLAS on June 30, 2017 and therefore will be expecting to have a similar discussion with CLLAS in 2022.

Mr. Mahoney advised the Board that he would report back on the discussions with Blakes at the December 2016 Board meeting.

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

Julia Holland reported on a recent meeting of the Risk Management Committee.

*Seminar* – Ms. Holland reported that the Risk Management Seminar invitations including the agenda have gone out for September 21<sup>st</sup> and that RSVP's are due.

*(Ms. Holland left the meeting).*

### **5. Report of the General Manager's Office (cont'd)**

#### *Reinsurance Placement – Final*

Joe Tontini reported that the June Board meeting material included a summary of the reinsurance rates over the past 10 years. A review of the rates highlights the benefits of the group buying power of CLLAS. Next year will be a critical year for CLLAS members as members will be asked to commit to another five-year underwriting period. Understanding this dynamic, reinsurers, as critical participants in the success of CLLAS, reinsurers have demonstrated their commitment to CLLAS by allowing a significant rate reduction this year.

Ryan Durrell reviewed the final placement of the July 1, 2016 reinsurance renewal. All Lloyd's syndicates were renewed but one and new capacity was obtained from two new syndicates. Munich Reinsurance (UK) rejoined the program. Domestically, it was agreed that Catlin Canada would not renew its participation in CLLAS' reinsurance program and would instead focus on the commercial layer placed by Pro-Form. The premium per member at July 1, 2016 was \$2,585, a decrease of 13.4% from the prior year.

Overall it was a very successful renewal which met all of CLLAS' key objectives including a reduction in overall reinsurance costs along with possible reduction in insurance rates for CLLAS members and the attraction of new markets.

#### *Policy Wording Changes*

To be consistent with the rest of the wording, the definition of "Service Company" on the Primary Policy is amended slightly as follow:

"Service Company" means a corporation or partnership (other than a Professional Corporation) including its officers, directors, partners and Employees, providing services exclusively to or through the Named Insured.

There were no other wording changes.

Tail coverage continues to be provided to former Heenan Blaikie LLP ("HB") lawyers on all CLLAS policies. Coverage is added by endorsement with premium charged only on the Primary Policy.

There was a request to have a 10 year history of the operating costs of CLLAS on a cost per head with the summary of the premium rates as well.

#### *CLLAS Associate Firm Initiative – Update*

Joe Tontini advised that, over the course of the next few months leading up to the January 1, 2017 renewals (for most Ontario firms), Axxima will be selectively approaching a number of other law firms to explore the prospect of joining CLLAS either as full members or as Associate Members.

#### *MFP Insurance*

MFP is a San Francisco based organization which is similar in size and focus to CLLAS. One of CLLAS' reinsurers made the suggestion during the renewal process that we reconnect with MFP to see if there was an interest in meeting to sharing information and challenges. Mr. Mahoney advised that CLLAS had met with MFP many years ago – the focus at that point was risk management although this time, the focus would likely be broader. MFP has expressed an interest.. The Board expressed its support of arranging a meeting and Mr. Mahoney suggested that he prepare a draft agenda, as which point timing and number of attendees could be determined.

**7. Report of the Claims Committee**

Patrick Mahoney reported on behalf of the Chair of the Claims Committee. There is a new file going to mediation today that has developed very quickly into the CLLAS layer. There is a 2010 file going to trial tomorrow.

**8. Report of the Policy Committee**

CLLAS has discussed updating its Subscribers Agreement for some time. There will be a meeting of the Committee on September 21, 2016 to review the Subscribers' Agreement. The tentative timeline is to have a new agreement ready for implementation on July 1, 2017.

**9. Report of the Audit Committee**

Gordon Goodman reported to the Board. An audit planning meeting with the Auditor will be held in October 26, 2016 in addition to reviewing the reinsurance security schedule.

**10. Report of the Investment Manager at June 30, 2016**

This report is for information only.

**11. Other Business**

The annual dinner will be held in April 2017 with the exact date subject to confirmation.

Gordon Goodman reported on a meeting that his firm had had with a group out of the U.S. who provide a cyber monitoring service to companies that alerts the firm to unusual activity in their computer systems. This same group is speaking to the Empire Club in November. The group had asked to also speak to the CLLAS members as a group. The suggestion was that perhaps the firms would like to attend at the Empire Club and Mr. Tontini agreed to circulate the details.

Cyber risks continue to be a concern to CLLAS members. Axxima continues to investigate and evaluate the merits of various approaches to cyber risk and this will continue to be a discussion at the Board level. There was a consensus that CLLAS should explore the type of coverage it would be interested in and then prepare some policy wording to discuss with the reinsurance markets. Investigation costs and business interruption and reputational risk costs would be the main areas of interest to the firms. There was a suggestion that some form of active monitoring as well as penetration testing be a requirement for participating in any CLLAS cyber coverage.

To gain a sense of current practices Axxima, working with John Esvelt, Julia Holland and Ken Crofoot, was asked to develop a bench marking survey on cyber issues, with results to be presented on an anonymous basis at the December meeting.

There was no other business.

**12. Next Meeting**

The next regularly scheduled meeting of the Board will be on December 7, 2016.

There being no further business, the meeting was terminated.

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Chairman

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Secretary





# MEMORANDUM

DATE: November 28, 2016  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: Contribution to Surplus by New Entrants to CLLAS

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The purpose of this memo is to discuss the appropriate level of surplus contribution for new CLLAS subscribers, i.e. firms joining CLLAS as a full subscriber directly, or moving from the CLLAS Associate Firm program into CLLAS.

You will recall that one of the reasons behind the development of the CLLAS Associate Firm initiative was to address concerns that the surplus contribution required of new entrants would be a disincentive to joining CLLAS in light of the prevailing soft insurance market conditions. As a result, the approaches outlined below are an effort to balance equity (specifically the idea that firms should bear a fair share of CLLAS' surplus relative to the exposure they bring to CLLAS) against the practical reality that firms can currently buy insurance in the open marketplace at competitive rates without the need to make any contribution to surplus/capital.

CLLAS needs to consider two factors: (1) the appropriate level of surplus the new firm should be expected to fund, and (2) the amount of time the new firm should be given to fund that level of surplus. With respect to the first issue, we have identified two potential surplus contribution levels. Upon joining, a new firm should be expected to fund to a level that is commensurate with the average surplus amount held by the current CLLAS firms, or to CLLAS' minimum surplus target.

## **A. Average Surplus Level**

The average surplus level of CLLAS firms has developed over the past 28 years through a combination of past premium/surplus contributions and claims experience, fluctuations in CLLAS' retention level, and changes in the reinsurance marketplace. Recently, CLLAS has been able to return surplus as premium credits as it looks to move towards the minimum surplus target. Member firms have enjoyed material surplus distributions over the past several years of between \$500,000 and \$700,000 in aggregate. Funding at average surplus level would allow new firms to experience the same annual rates and to meaningfully participate in surplus return discussions.

The average surplus in CLLAS at June 30, 2015 (the most recent subscribers accounts available at the date the analysis was done) is \$3,302 per lawyer. Using Lencznerners as an example, this would lead to a "buy-in" contribution of \$165,100, based on 50 lawyers. To put that surplus contribution



in context, the annualized premium paid by Lencznerners for coverage through the CLLAS Associate Firm program was \$140,000.

## **B. Minimum Surplus Target**

If, on the other hand, a firm is expected to fund to the minimum surplus target, the surplus requirement for that new firm is lower, but they would not be entitled to surplus distributions. Based on December 31, 2015 information, the minimum target surplus would be \$1,194 per lawyer. Again, using Lencznerners as an example, this would lead to a “buy-in” contribution of \$59,700, based on 50 lawyers.

In this case, CLLAS would determine two sets of rates to allow for the pricing difference between legacy CLLAS members and new CLLAS members (with the difference being the surplus distributions). Using July 1, 2016 rate information for illustration, this means that the basic premium for a firm funded at the minimum surplus target level would have been \$2,783, compared to the \$2,585 the current firms paid, with the difference being the CLLAS premium credit that the current firms received.

The second issue, once the basis of the surplus contribution has been determined, is to decide upon the timing of the contribution. We have identified three options, which are as follows:

### **1. Day Zero Funding Option**

This option involves a firm contributing surplus to CLLAS at the time of joining, or “day zero”. This approach would initially result in significant excess surplus relative to the new firm’s exposure in CLLAS (as the current firms all have many years of past claims reported to CLLAS) but exposure relative to surplus would normalize over 10 years.

### **2. U/W Period Option**

The Underwriting (U/W) Period Option provides the new firm with the ability to spread its surplus contribution over a five-year period (to align with the end of the underwriting period). We envision a straight-line contribution schedule of 20% per year over five years, as was done for Lang Michener.

### **3. Liability Matching Option**

This option involves the firm paying surplus into CLLAS over a multi-year period in a fashion that tracks more closely with the accumulation of liabilities in CLLAS by the new firm. To recognize that the firm has no share of CLLAS’ past liabilities (which are the driver of the surplus requirement) we recommend that the surplus contribution be funded over a ten-year period with 75% of surplus



being paid in the first five years (15% per year) and the balance in the second five years (5% per year).

This approach has the benefit of (1) minimizing impact on the new firm of making the contribution to surplus, and (2) roughly approximates the accumulation of liabilities that are supported by the surplus.

## **Conclusion**

Regardless of the contribution amount, both the U/W Period and Liability Matching options address the possibility that a day zero, lump sum payment will be a barrier to entry into CLLAS, either because firm management cannot justify it in a soft market, or because management cannot “sell” it to the partners in a soft market. However, the Day Zero option at the average surplus level provides the cleanest integration into CLLAS for the member firm.

The approaches outlined above are intended to provide CLLAS with options to present to potential new entrants. We would like to receive feedback from the Board on these options before meet with Lencznerns to discuss entry into CLLAS.

We look forward to discussing this at the up-coming Board meeting.



# MEMORANDUM

DATE: November 21, 2016  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: September 30, 2016 Financial Management Report

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CLLAS's financial management report for the nine months ended September 30, 2016 is attached. Included are the following exhibits:

|              |   |
|--------------|---|
| Exhibit I:   | Statement of Financial Position                   |
| Exhibit II:  | Statement of Comprehensive Income                 |
| Exhibit III: | Statement of Changes in Equity                    |
| Exhibit IV:  | Budget Variance Analysis                          |
| Exhibit V:   | Summary of Risk Metrics                           |
| Exhibit VI:  | Alberta Maintenance of Reserve and Guarantee Fund |

## Financial Results

As shown on Exhibit II, CLLAS experienced a modest underwriting gain (premiums minus claims and expenses) of \$25,000 for the first nine months of 2016. After taking into account investment income (including unrealized gains arising during the period) the gain increased to \$184,000.

The Budget Variance (Exhibit IV) shows that expenses for the first nine months are about 7.5% (\$143,000) under budget. The first six months of the year are typically the most active for CLLAS, due to year-end activity in the first quarter and reinsurance renewal work in the second quarter. As a result, barring unforeseen circumstances, management expects operating expenses to finish the year under budget.

At September 30, 2016, CLLAS had a surplus of \$14.4 million, as shown on Exhibit I.

## Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows results for CLLAS at December 31, 2014, December 31, 2015 and September 30, 2016 against risk targets and risk limits. The results for June 30, 2016 are all within CLLAS' risk tolerances. Items of note include:

Line 4: In prior periods, one reinsurance (Allegany, formerly Transatlantic Re, which is no longer on the program) was rated BBB+ by AM Best. This rating has been upgraded to A-.



Line 13: The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”). Details of this calculation are included in Exhibit VI, with the result summarized in Line 13 of Exhibit V. CLLAS must maintain “cash and approved securities” in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit VI of the financial management report shows that the AMRGF required for CLLAS at September 30, 2016 was \$14.8 million. CLLAS’ cash and approved securities totaled \$21.3 million, i.e. well above the minimum requirement.

Line 14: CLLAS also monitors its Minimum Capital Test ratio. At December 31, 2015, CLLAS’ MCT ratio was 359%. At September 30, 2016, it is estimated to be 416%. The increase is partly attributable to the phasing in of the transition to a new MCT calculation basis which is more favourable to CLLAS. As mentioned in previous reports, mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the “official” MCT calculation is done at year-end.

Please contact me if you have any questions with respect to the management financial statements or the solvency tests.

Sincerely,

Patrick Mahoney  
General Manager

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

**QUARTERLY FINANCIAL MANAGEMENT REPORT**

**September 30, 2016**

# **CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

## **QUARTERLY FINANCIAL MANAGEMENT REPORT**

**SEPTEMBER 30, 2016**

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| Exhibit I   | Statement of Financial Position                    |
| Exhibit II  | Statement of Comprehensive Income                  |
| Exhibit III | Statement of Changes in Equity                     |
| Exhibit IV  | Operating Budget Variance Analysis                 |
| Exhibit V   | Risk Metrics                                       |
| Exhibit VI  | Alberta Maintenance of Reserve and Guarantee Funds |

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2016**

|  | <b>As at<br/>September 30, 2016</b> | <b>As at<br/>September 30, 2015</b> |
|--|-------------------------------------|-------------------------------------|
| <b>ASSETS</b>  |                                     |                                     |
| Cash   | 4,440,576                           | 4,350,229                           |
| Short term investments   | 11,942,115                          | 11,879,340                          |
| Bonds  | 4,888,432                           | 4,788,312                           |
| Interest income due and accrued  | 28,103                              | 24,113                              |
| Premium receivable   | 5,305,172                           | 6,219,274                           |
| Other receivable   | -                                   | -                                   |
| Prepaid expenses   | 209,250                             | 209,250                             |
| Deferred policy acquisition costs  | 234,036                             | 259,820                             |
| Unearned reinsurance premium ceded   | 6,307,930                           | 7,504,660                           |
| Reinsurance recoverable  | 1,444,201                           | 319,993                             |
| Provision for unpaid claims and adjustment expenses<br>recoverable from reinsurers | 95,974,000                          | 102,289,000                         |
|  | <u>130,773,814</u>                  | <u>137,843,990</u>                  |
| <b>LIABILITIES</b>   |                                     |                                     |
| Accounts payable & accrued charges   | 403,458                             | 694,845                             |
| Premium taxes payable  | 109,218                             | 111,287                             |
| Unearned premium   | 7,935,956                           | 9,311,918                           |
| Due to reinsurers  | 5,473,866                           | 5,012,236                           |
| Provision for unpaid claims and adjustment expenses                                | 102,480,000                         | 109,023,000                         |
| Premium deficiency liability   | -                                   | -                                   |
|  | <u>116,402,497</u>                  | <u>124,153,286</u>                  |
| <b>SUBSCRIBERS' EQUITY</b>   |                                     |                                     |
| Surplus  | 14,210,694                          | 13,572,775                          |
| Accumulated Other Comprehensive Income (Loss)                                      | 160,622                             | 117,929                             |
|  | <u>14,371,317</u>                   | <u>13,690,704</u>                   |
|  | <u>130,773,814</u>                  | <u>137,843,990</u>                  |



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Period Ending September 30, 2016**

|  | <b>Current Year</b>                   |  | <b>Prior Year</b>                     |  |
|--|---------------------------------------|--|---------------------------------------|--|
|  | <b>Quarter<br/>September 30, 2016</b> | <b>Year to Date<br/>September 30, 2016</b> | <b>Quarter<br/>September 30, 2015</b> | <b>Year to Date<br/>September 30, 2015</b> |
| Written Premium  | 10,610,344                            | 10,610,344                                 | 12,438,547                            | 12,438,547                                 |
| Gross Written Premiums   | 10,610,344                            | 10,610,344                                 | 12,438,547                            | 12,438,547                                 |
| Less: Reinsurance Ceded  | 8,433,679                             | 8,433,679                                  | 10,024,473                            | 10,024,473                                 |
| Net Written Premiums   | 2,176,665                             | 2,176,665                                  | 2,414,074                             | 2,414,074                                  |
| Change in Unearned Premiums  | (1,628,026)                           | (427,585)                                  | (1,807,258)                           | (593,764)                                  |
| Earned Premiums  | 548,639                               | 1,749,080                                  | 606,817                               | 1,820,310                                  |
| Claims Paid  | (50,694)                              | (162,567)                                  | (34,796)                              | (3,178)                                    |
| Change in IBNR   | (2,000)                               | 129,000                                    | 139,000                               | 330,000                                    |
| Change in Case Reserve   | (7,000)                               | (11,000)                                   | (24,000)                              | 11,000                                     |
| Premium Deficiency Expense   | -                                     | -  | -                                     | -  |
| Incurred Claims  | (59,694)                              | (44,567)                                   | 80,204                                | 337,822                                    |
| Management and operating expenses  | 351,489                               | 1,307,875                                  | 359,106                               | 1,254,230                                  |
| Reinsurance fees   | 69,750                                | 209,250                                    | 69,750                                | 209,250                                    |
| Premium taxes  | 78,012                                | 251,225                                    | 86,607                                | 175,756                                    |
| Total Operating Expenses   | 499,251                               | 1,768,350                                  | 515,462                               | 1,639,235                                  |
| <b>Underwriting Gain (Loss)</b>  | 109,082                               | 25,297                                     | 11,150                                | (156,746)                                  |
| Investment Income  | 45,764                                | 125,359                                    | 68,770                                | 151,627                                    |
| Income on Claim Related Matters  | -                                     | -  | -                                     | -  |
| Interest Income on Premium Tax   | -                                     | -  | -                                     | -  |
| <b>NET GAIN/(LOSS)</b>   | <b>154,845</b>                        | <b>150,656</b>                             | <b>79,920</b>                         | <b>(5,119)</b>                             |
| <b>Other comprehensive income (loss)</b>   |                                       |  |                                       |  |
| Unrealized gains (losses) on available for sale financial assets arising during the year | (3,081)                               | 33,195                                     | (12,121)                              | 43,212                                     |
| Recognition of realized (gain) loss included in income                                   | -                                     | -  | -                                     | -  |
| Other comprehensive income (loss) for the year   | (3,081)                               | 33,195                                     | (12,121)                              | 43,212                                     |
| <b>Total comprehensive income (loss)</b>   | <b>151,765</b>                        | <b>183,851</b>                             | <b>67,799</b>                         | <b>38,093</b>                              |

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF CHANGES IN EQUITY**  
**September 30, 2016**

|  | <b>Minimum Surplus</b> | <b>Additional Surplus</b> | <b>Unrealized gains and losses on AFS financial assets</b> | <b>Total Equity</b> |
|--|------------------------|---------------------------|--|---------------------|
| <b>Balance, beginning of year</b>                                | <b>50,000</b>          | <b>14,010,039</b>         | <b>127,427</b>   | <b>14,187,466</b>   |
| Prior year adjustment  |                        | -                         |  | -                   |
| <b>Comprehensive income (loss) for the year</b>                  |                        |                           |  |                     |
| Net gain (loss) for the year                                     |                        | 150,656                   |  | 150,656             |
| <b>Other comprehensive income (loss)</b>                         |                        |                           |  |                     |
| Change in unrealized gain on available-for-sale assets           |                        |                           | 33,195   | 33,195              |
| Recognition of realized (gain) loss on available-for-sale assets |                        |                           | -  | -                   |
| <b>Total comprehensive income (loss) for the year</b>            |                        | <b>150,656</b>            | <b>33,195</b>  | <b>183,851</b>      |
| <b>Balance at September 30, 2016</b>                             | <b>50,000</b>          | <b>14,160,694</b>         | <b>160,622</b>   | <b>14,371,317</b>   |

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS  
FOR THE PERIOD ENDED September 30, 2016

|  | Annual Budget | Year to Date<br>Budget<br>% Accrued to<br>Date | Year to Date<br>Budget<br>\$ | Year to Date<br>Actual<br>\$ | Fav/(Unfav)<br>Variance<br>\$ |
|--|---------------|--|------------------------------|------------------------------|-------------------------------|
| MANAGEMENT SERVICES*<br>(See Note 1)                       | 580,000       | 75%  | 435,000                      | 447,804                      | (12,804)                      |
| PROFESSIONAL SERVICES                                      |               |  |                              |                              |                               |
| Actuarial Services   | 85,000        | 82%  | 69,700                       | 45,385                       | 24,315                        |
| Reinsurance Matters  | 325,000       | 82%  | 266,500                      | 234,712                      | 31,788                        |
| Strategic Matters  | 160,000       | 82%  | 131,200                      | 78,645                       | 52,555                        |
| Sub-Total Professional Services                            | 570,000       |  | 467,400                      | 358,741                      | 108,659                       |
| GST/HST on Consulting Fees                                 | 149,500       |  | 117,312                      | 104,851                      | 12,461                        |
| Total Management & Professional Services *<br>(See Note 2) | 1,299,500     |  | 1,019,712                    | 911,396                      | 108,316                       |
| OTHER EXPENSES   |               |  |                              |                              |                               |
| Audit Expenses   | 107,000       | 75%  | 80,250                       | 80,991                       | (741)                         |
| Annual Dinner  | 7,000         | 100%   | 7,000                        | 5,885                        | 1,115                         |
| Premium Taxes  | 355,000       | 75%  | 266,250                      | 251,225                      | 15,025                        |
| Chairman's Expenses  | 3,000         | 75%  | 2,250                        | 38                           | 2,212                         |
| Chairman's Honourium                                       | 150,000       | 100%   | 150,000                      | 150,000                      | -                             |
| Reinsurance Expense  | 7,500         | 100%   | 7,500                        | 8,553                        | (1,053)                       |
| D&O Insurance  | 14,000        | 75%  | 10,500                       | 20,267                       | (9,767)                       |
| Office Expenses  | 25,000        | 75%  | 18,750                       | 16,951                       | 1,799                         |
| Office Expenses - Website management software license      | 3,000         | 75%  | 2,250                        | 563                          | 1,688                         |
| Claims: Borderaux (LawPro/LIF)                             | 15,000        | 100%   | 15,000                       | 13,300                       | 1,700                         |
| Special Services   | 50,000        | 75%  | 37,500                       | -                            | 37,500                        |
| Miller Insurance Fees (Reins. Comm.) (See Note 3)          | 279,000       | 75%  | 209,250                      | 209,250                      | -                             |
| I.B.C Statistical Plan Fees                                | 4,000         | 75%  | 3,000                        | 2,004                        | 996                           |
| FSCO Assessment Fees                                       | 3,000         | 100%   | 3,000                        | 5,500                        | (2,500)                       |
| Investment counsel fees                                    | 32,000        | 75%  | 24,000                       | 20,388                       | 3,612                         |
| Investment - Custodial                                     | 17,000        | 75%  | 12,750                       | 13,386                       | (636)                         |
| Risk Management/Loss Prevention                            | 50,000        | 75%  | 37,500                       | 57,348                       | (19,847)                      |
| License Fee  | 6,500         | 75%  | 4,875                        | 113                          | 4,762                         |
| Insurance: Sundry  | -             |  | -                            | 1,193                        | (1,193)                       |
| Sub-total  | 1,128,000     |  | 891,625                      | 856,953                      | 34,672                        |
| TOTAL  | 2,427,500     |  | 1,911,337                    | 1,768,350                    | 142,987                       |

\* NOTE 1: MANAGEMENT SERVICES  
The actual budget of \$615,00 has been reduced to \$580,000 as s result of Commissions received on CLLAS associate program.

\* NOTE 2: PROFESSIONAL SERVICES - SEASONALLY WEIGHTED BUDGET  
This is based upon an analysis of the current budget and previous years' experience, the anticipated pattern of seasonal workflow is as follows:

|                                      |      |
|--------------------------------------|------|
| First Quarter, ending March 31st     | 22%  |
| Second Quarter, ending June 30th     | 45%  |
| Third Quarter, ending September 30th | 15%  |
| Fourth Quarter, ending December 31st | 18%  |
|                                      | 100% |

\* NOTE 3: MILLER INSURANCE FEES (Reins. Comm.)  
The annual budget is based upon the annual fee estimated for the policy period 2015/2016.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
SUMMARY OF RISK METRICS  
September 30, 2016

Exhibit V

|      | Risk Category                         | Risk Metric   | December 31, 2014 | December 31, 2015 | September 30, 2016 | Target                     | Limit         |
|------|---------------------------------------|---|-------------------|-------------------|--------------------|----------------------------|---------------|
| (1a) | <b>Insurance</b>                      | Prior year development - Gross of reinsurance   | -6%               | 27%               | -9%                | ≤ 0%                       | > 20%         |
| (1b) |                                       | Prior year development - Net of reinsurance   | -33%              | -29%              | -33%               | ≤ 0%                       | > 10%         |
| (2a) |                                       | 3-year net combined ratio   | 84%               | 79%               | 93%                |                            |               |
| (2b) |                                       | 3-year net combined ratio before surplus adjustments via premiums                       | 81%               | 74%               | 80%                | ≤ 100%                     | > 125%        |
| (3)  |                                       | Maximum allocation to a single jurisdiction   | 57%               | 56%               | 56%                | n/a                        | > 67%         |
| (4)  | <b>Reinsurance</b>                    | Reinsurer credit rating   | BBB+ to A+        | BBB+ to A+        | A- to A+           | ≥ A                        | < A-          |
| (5)  |                                       | Maximum concentration with a single reinsurer excl. Colchester                          | 13.3%             | 11.6%             | 12.2%              | ≤ 10%                      | > 15%         |
| (6)  | <b>Interest Rate</b>                  | Interest rate risk per MCT formula at 1.25%   | \$201,667         | \$162,000         | \$206,000          | ≤ \$250,000                | > \$600,000   |
| (7)  | <b>Liquidity</b>                      | Ratio of cash and short-term investments to gross claim liabilities                     | 21%               | 13%               | 16%                | ≥ 15%                      | < 10%         |
| (8)  |                                       | Ratio of short term funds to total short & long term funds                              | 69%               | 64%               | 71%                | ≥ 40%                      | < 20%         |
| (9a) | <b>Asset Default</b>                  | Credit rating of invested assets  | AA to AAA         | AA to AAA         | AA to AAA          | AA to AAA                  | < A           |
| (9b) |                                       | Credit rating of Bankers Acceptances and Certificates of Deposit                        | R1 - High         | R1 - High         | R1 - High          | R1-High                    | < R1-High     |
| (10) |                                       | Maximum allocation to a single non-government security                                  | 1.6%              | 2.4%              | 2.2%               | n/a                        | > 5%          |
| (11) | <b>Strategic</b>                      | Annual Advisory Board turnover  | 0                 | 0                 | 0                  | ≤ 2 members                | > 4 members   |
| (12) | <b>Operational</b>                    | Key management/advisor turnover   | 0                 | 0                 | 0                  | ≤ 1 per 3 years            | > 1 per year  |
| (13) | <b>Regulatory Solvency Indicators</b> | AMRGF - Excess of cash and approved securities over required reserve and guarantee fund | \$8,020,000       | \$6,934,000       | \$6,482,000        | \$3,500,000 to \$7,000,000 | < \$3,500,000 |
| (14) |                                       | MCT   | 346%              | 359%              | 416%               | ≥ 210%                     | < 210%        |

**Notes**

(1) = Year-over-year change in ultimate losses / Prior year undiscounted unpaid claims (excl. ULAE)

(2a) = [3-year net incurred losses + 3-year operating expenses] / [3-year net earned premiums]; only experience after June 30, 2012 has been considered in the 2014 combined ratio to exclude the effect of the LPT transaction

(2b) = (2a), where 3-year net earned premiums reflect actuary's indicated premium rates before surplus distributions

(3) Based on insured lawyer counts

(4) Based on A.M. Best. information from report on reinsurance security (October 21, 2016). Note that in 2013 and 2014, there was only one reinsurer with credit rating of BBB+ (Alleghany Corporation, formerly Transatlantic Reinsurance Company).

(5) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2014 information from report on reinsurance security (September 23, 2014); 2015 information from report on reinsurance security (October 30, 2015); 2016 information from report on reinsurance security (October 21, 2016).

(10) Maximum allocation does not consider cash and cash equivalents

(12) Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.

(14) For Provincially Regulated Insurance Entities that are required to file the MCT on an annual basis, the capital impact of the revised Guideline must be phased-in over three years, starting with the first year ending in 2015. The 2014 MCT ratio shown above calculated based on the old MCT guidelines.

| Color Code               |
|--------------------------|
| Meets Target             |
| Between Target and Limit |
| Exceeds Limit            |

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**For the Period Ending September 30, 2016**

**ALBERTA MAINTENANCE OF RESERVE AND GUARANTEE FUNDS**  
 (Section 99 and 100)

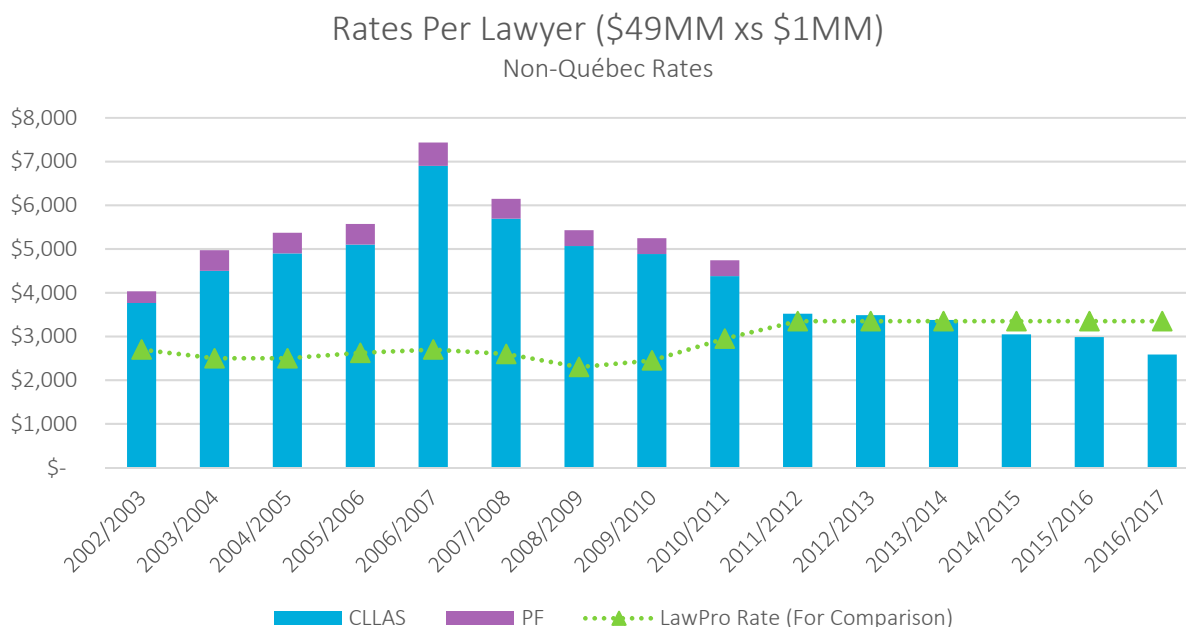
|  | Current Year to Date<br>9/30/2016<br>(in \$000's) | Prior Year End<br>9/30/2015<br>(in \$000's) |
|--|---|---|
| <b><u>Reserve Fund</u></b>   |   |   |
| Premiums collected or credited having one year or less to run                        | (1) 10,610  | 12,439                                      |
| Less: Amount paid to licensed reinsurers   | (2) 8,347   | 9,918                                       |
| Premiums collected with more than one year to run, less expired portion              | (3) -   | -   |
| Less: Amount paid to reinsurers on premiums on line 3, less expired portion.         | (4) -   | -   |
| Subtotal (lines 1, minus line 2, plus line 3, minus line 4)                          | (5) 2,263   | 2,521                                       |
| Reserve Fund Required (50% of Line 5)  | (6) 1,132   | 1,261                                       |
| <b><u>Guarantee Fund</u></b>   |   |   |
| Total Liabilities  | (7) 116,402                                       | 124,153                                     |
| Less: Unearned Premiums  | (8) 7,936   | 9,312                                       |
| Less: Recoverable from licensed reinsurers   | (9) 94,858  | 101,106                                     |
| Plus: Statutory Margin   | (10) 50   | 50  |
| Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)                    | (11) 13,658                                       | 13,785                                      |
| <b>TOTAL RESERVE &amp; GUARANTEE FUND REQUIRED (Line 6+11)</b>                       | (12) 14,790                                       | 15,046                                      |
| Cash & Approved Securities   | (13) 21,271                                       | 21,017                                      |
| Excess of Cash & Securities over Reserve & Guarantee Fund<br>(line 13 minus line 12) | (14) 6,482  | 5,972                                       |



# MEMORANDUM

DATE: November 29, 2016  
 TO: CLLAS Advisory Board  
 FROM: Patrick Mahoney  
 RE: CLLAS Expense Analysis and Rate Impact

At its September 7, 2016 meeting, the CLLAS Board reviewed the following chart which shows the premium for the CLLAS \$49MM excess of \$1MM layer over time:

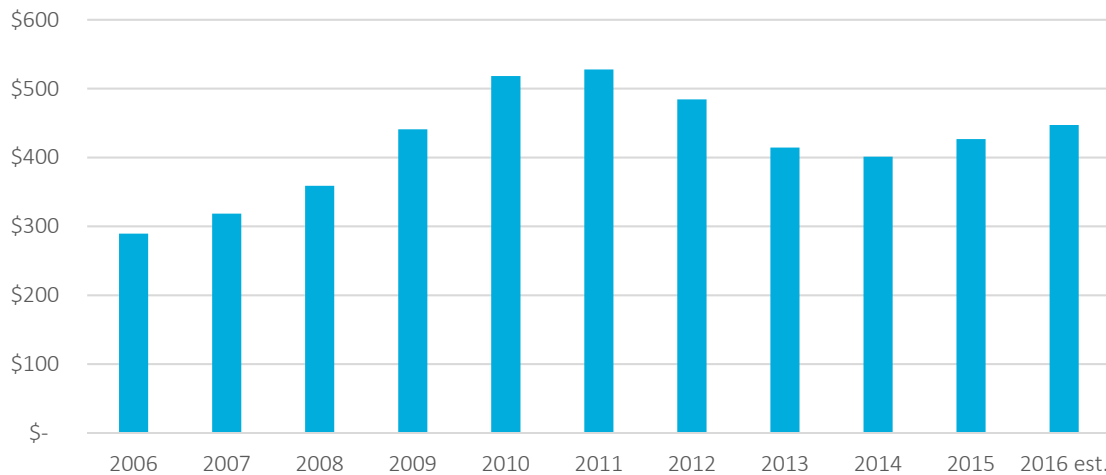


This chart shows continued reductions in the CLLAS rate since 2006/07, including most markedly the reduction in 2011/12 when CLLAS restructured its reinsurance to introduce the \$49MM layer. After reviewing this chart, and in light of the upcoming Underwriting Period renewal, the Board asked management to provide a similar overview of CLLAS' operating expenses over time.

Below is a chart showing operating expenses for the last 10 years, including an estimate for 2016. Expenses were compiled based on the actual expense amounts on a calendar year basis per the management financial statements. Premium taxes and investment management costs were excluded because they are simply a function of premium volume and assets under management in each year. The figures below include all other costs of operating CLLAS, including Axxima management and professional services, audit fees, D&O insurance, Lloyd's brokerage fees, risk management audits, licence fees, etc.



### Administrative Costs Per Lawyer



The “spike” in expenses from 2009 to 2011 was the combined result of a reinsurance arbitration (which was ultimately successful) and the significant restructuring work done ahead of the 2011 and 2012 renewals (which led to the reduction in CLLAS premiums seen in the first exhibit above).

As has been noted, changes in CLLAS’ insured lawyer count has an impact on the per lawyer premium, because many expenses do not vary directly with the lawyer count. All other things being equal, the departure of a CLLAS firm would result in the expense cost per lawyer increasing, and adding firms to CLLAS would have the opposite effect.

As firms look toward the next five-year underwriting period renewal, it is useful to understand the magnitude of the impact on CLLAS’ premium of firms joining or departing CLLAS. The following table is based on 2016 estimated expenses and shows the impact on 2016/17 premiums of the net change in insured lawyer counts.

| Change In Lawyer Count | Approx. Expense Impact (per lawyer) | Percentage Change in Premium |
|------------------------|-------------------------------------|------------------------------|
| + 500                  | (\$47)                              | (1.8%)                       |
| + 250                  | (\$25)                              | (1.0%)                       |
| - 250                  | \$28                                | 1.1%                         |
| - 500                  | \$60                                | 2.3%                         |
| - 750                  | \$96                                | 3.7%                         |
| - 1,000                | \$138                               | 5.3%                         |

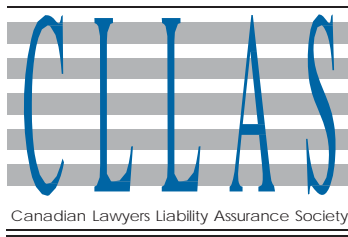


As indicated above, if CLLAS were to grow by 500 lawyers, we would expect the impact of allocating expenses over a larger base to lead to a 1.8% reduction in premium. If, on the other hand, CLLAS were to lose 500 lawyers, the impact of the reallocated expenses would be an increase in premium of 2.3%.

It should be noted that a portion of CLLAS' internal claims management expenses are borne by departed firms for as long as claims remain open in periods in which they participated. This is not reflected in the numbers above, and would serve to slightly ameliorate the impact shown.

I look forward to discussing this matter further at the up-coming Board meeting.





# MEMORANDUM

DATE: November 29, 2016  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: CLLAS Subscribers' Accounts as at June 30, 2016

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You will find attached to this memo the Subscribers' Accounts for the year ended June 30, 2016.

I look forward to discussing the attached with you at the up-coming Board meeting.

A handwritten signature in black ink, appearing to be 'P.M.', is located below the text of the memorandum.

# CLLAS SUBSCRIBERS' ACCOUNTS

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF OPERATIONS BY UNDERWRITING PERIOD  
FOR THE YEAR ENDED JUNE 30, 2016

**LAW FIRMS:**

- 1 Blake, Cassels & Graydon LLP
- 2 Borden Ladner Gervais LLP
- 3 Fasken Martineau DuMoulin LLP
- 4 Davies Ward Phillips & Vineberg LLP
- 5 Dentons Canada LLP
- 6 Goodman and Carr LLP
- 7 Goodmans LLP
- 8 McCarthy Tetrault LLP
- 9 McMillan LLP
- 10 Osler, Hoskin & Harcourt LLP
- 11 Torys LLP
- 12 WeirFoulds LLP
- 13 Cassels, Brock & Blackwell LLP

**UNDERWRITING PERIODS:**

- 1 1987/1988 to 1991/1992
- 2 1992/1993 to 1996/1997
- 3 1997/1998 to 2001/2002
- 4 2002/2003 to 2006/2007
- 5 2007/2008 to 2011/2012
- 6 2012/2013 to 2016/2017

CLLAS SUBSCRIBERS' ACCOUNTS  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

| SUBSCRIBER  | 1         | 2         | 3         | 4       | 5         | 6 | 7         | 8         | 9         | 10        | 11        | 12      | 13        | Total      |
|---|-----------|-----------|-----------|---------|-----------|---|-----------|-----------|-----------|-----------|-----------|---------|-----------|------------|
| ASSETS  |           |           |           |         |           |   |           |           |           |           |           |         |           |            |
| Net Asset Account   | 2,210,629 | 2,655,634 | 1,560,173 | 723,679 | 2,440,749 | 0 | 1,130,326 | 2,333,074 | 1,656,096 | 2,103,555 | 1,453,201 | 464,129 | 1,020,996 | 19,752,242 |
| Accrued Interest  | 1,734     | 2,896     | 1,960     | 800     | 2,479     | 0 | 1,124     | 2,462     | 1,622     | 2,127     | 1,478     | 466     | 1,043     | 20,190     |
| Premium Receivable  | 0         | 0         | 0         | 0       | 0         | 0 | 0         | 0         | 0         | 0         | 0         | 0       | 0         | 0          |
| Reinsurance Receivable                                    | 110,361   | 145,520   | 105,699   | 38,086  | 106,160   | 0 | 47,808    | 114,942   | 82,238    | 87,485    | 48,510    | 19,187  | 45,192    | 951,188    |
| Prepaid Expenses  | 0         | 22,572    | 18,127    | 5,067   | 15,778    | 0 | 7,107     | 16,445    | 9,884     | 13,052    | 10,207    | 3,059   | 7,417     | 128,716    |
| Total Assets  | 2,322,725 | 2,826,622 | 1,685,959 | 767,631 | 2,565,166 | 0 | 1,186,366 | 2,466,924 | 1,749,839 | 2,206,219 | 1,513,397 | 486,841 | 1,074,648 | 20,852,336 |
| LIABILITIES   |           |           |           |         |           |   |           |           |           |           |           |         |           |            |
| Undiscounted Case Reserves                                | 0         | 4,912     | 3,642     | 1,215   | 3,663     | 0 | 1,669     | 3,421     | 2,300     | 2,823     | 2,069     | 692     | 1,594     | 28,000     |
| Undiscounted IBNR   | 136,974   | 521,457   | 383,864   | 131,570 | 386,296   | 0 | 175,157   | 381,004   | 261,509   | 304,611   | 204,060   | 71,851  | 166,646   | 3,125,000  |
| Impact of Discounting and Provision for Adverse Deviation | 241,682   | 542,501   | 397,327   | 138,710 | 400,142   | 0 | 180,790   | 409,512   | 284,551   | 320,557   | 201,101   | 73,598  | 171,529   | 3,362,000  |
| Accrued Expenses  | 0         | 20,166    | 17,402    | 5,683   | 15,207    | 0 | 6,056     | 15,626    | 8,005     | 12,050    | 8,702     | 2,790   | 6,099     | 117,788    |
| Total Liabilities   | 378,656   | 1,089,036 | 802,236   | 277,179 | 805,308   | 0 | 363,673   | 809,563   | 556,364   | 640,041   | 415,933   | 148,931 | 345,867   | 6,632,788  |
| SUBSCRIBERS' EQUITY                                       |           |           |           |         |           |   |           |           |           |           |           |         |           |            |
| Total Subscribers' Equity                                 | 1,944,068 | 1,737,586 | 883,724   | 490,452 | 1,759,857 | 0 | 822,693   | 1,657,361 | 1,193,474 | 1,566,178 | 1,097,464 | 337,909 | 728,781   | 14,219,548 |
| Total Liabilities and Equity                              | 2,322,725 | 2,826,622 | 1,685,959 | 767,631 | 2,565,166 | 0 | 1,186,366 | 2,466,924 | 1,749,839 | 2,206,219 | 1,513,397 | 486,841 | 1,074,648 | 20,852,336 |

CLLAS SUBSCRIBERS' ACCOUNTS  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 1  
Page 2

| SUBSCRIBER  | 1       | 2         | 3         | 4       | 5         | 6 | 7       | 8         | 9       | 10        | 11      | 12      | 13      | Total      |
|---|---------|-----------|-----------|---------|-----------|---|---------|-----------|---------|-----------|---------|---------|---------|------------|
| Direct Written Premium  | 0       | 2,122,423 | 1,906,041 | 611,802 | 1,505,812 | 0 | 637,627 | 1,672,840 | 845,826 | 1,286,323 | 929,987 | 274,438 | 645,429 | 12,438,547 |
| Retroassessment   | 0       | 0         | 0         | 0       | 0         | 0 | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| Gross Written Premium   | 0       | 2,122,423 | 1,906,041 | 611,802 | 1,505,812 | 0 | 637,627 | 1,672,840 | 845,826 | 1,286,323 | 929,987 | 274,438 | 645,429 | 12,438,547 |
| Reinsurance Ceded   | 0       | 1,707,719 | 1,547,943 | 497,410 | 1,201,062 | 0 | 512,321 | 1,353,920 | 680,657 | 1,037,587 | 748,926 | 218,400 | 518,528 | 10,024,473 |
| Net Written Premium   | 0       | 414,704   | 358,098   | 114,392 | 304,750   | 0 | 125,306 | 318,920   | 165,169 | 248,736   | 181,061 | 56,038  | 126,901 | 2,414,074  |
| Change in Unearned Premium  | 0       | 0         | 0         | 0       | 0         | 0 | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| Net Earned Premium  | 0       | 414,704   | 358,098   | 114,392 | 304,750   | 0 | 125,306 | 318,920   | 165,169 | 248,736   | 181,061 | 56,038  | 126,901 | 2,414,074  |
| Claims Paid   | -27,785 | -27,534   | -19,415   | -7,335  | -19,815   | 0 | -9,053  | -22,156   | -16,914 | -16,477   | -7,953  | -3,460  | -8,386  | -186,282   |
| Change in Undiscounted Case Reserves                                | 0       | -3,569    | -2,510    | -882    | -2,636    | 0 | -1,246  | -2,383    | -1,808  | -1,960    | -1,384  | -477    | -1,145  | -20,000    |
| Change in Undiscounted IBNR   | -34,975 | -12,701   | -3,607    | -3,735  | -8,004    | 0 | -5,088  | -9,928    | -15,396 | -5,271    | 2,960   | -433    | -3,011  | -99,191    |
| Change in Impact of Discounting and Provision for Adverse Deviation | -27,489 | 6,787     | 8,720     | 1,197   | 6,014     | 0 | 1,901   | 3,086     | -3,346  | 4,890     | 8,593   | 1,852   | 2,985   | 15,191     |
| Incurred Claims   | -90,249 | -37,017   | -16,811   | -10,754 | -24,441   | 0 | -13,487 | -31,380   | -37,465 | -18,818   | 2,216   | -2,518  | -9,557  | -290,282   |
| Operating Expenses  | 18,988  | 331,282   | 281,147   | 92,217  | 248,865   | 0 | 101,532 | 257,499   | 137,119 | 199,608   | 143,265 | 46,214  | 100,685 | 1,958,421  |
| Premium Tax   | 0       | 61,425    | 47,864    | 13,522  | 43,050    | 0 | 19,606  | 43,697    | 27,265  | 34,721    | 26,738  | 8,195   | 20,344  | 346,426    |
| Total Expenses  | 18,988  | 392,707   | 329,011   | 105,739 | 291,914   | 0 | 121,138 | 301,196   | 164,384 | 234,329   | 170,002 | 54,409  | 121,029 | 2,304,847  |
| Underwriting Gain (Loss)  | 71,261  | 59,015    | 45,898    | 19,407  | 37,277    | 0 | 17,655  | 49,104    | 38,249  | 33,225    | 8,843   | 4,147   | 15,428  | 399,509    |
| Investment Income   | 14,214  | 23,470    | 15,983    | 6,486   | 19,978    | 0 | 9,056   | 19,965    | 13,125  | 17,166    | 11,877  | 3,761   | 8,402   | 163,484    |
| Other Income  | 0       | 0         | 0         | 0       | 0         | 0 | 0       | 0         | 0       | 0         | 0       | 0       | 0       | 0          |
| Net Gain (Loss)   | 85,475  | 82,485    | 61,881    | 25,893  | 57,255    | 0 | 26,711  | 69,069    | 51,374  | 50,391    | 20,720  | 7,908   | 23,830  | 562,993    |
| Other Comprehensive Income  | 2,890   | 4,827     | 3,266     | 1,333   | 4,131     | 0 | 1,874   | 4,104     | 2,703   | 3,545     | 2,464   | 777     | 1,738   | 33,653     |
| Total Comprehensive Income  | 88,365  | 87,312    | 65,147    | 27,226  | 61,387    | 0 | 28,585  | 73,173    | 54,077  | 53,936    | 23,184  | 8,685   | 25,569  | 596,646    |



# MEMORANDUM

DATE: November 29, 2016  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: Board Self-Evaluation Survey – Summary of Results

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Attached are the results of the Board self-evaluation survey which was recently conducted. The results have been summarized and presented on an anonymous basis. We would like to have a brief discussion of the results at the up-coming Board meeting and we would also like to obtain input on the usefulness of the process and, if appropriate, the timing of future surveys. Following this discussion, we will prepare a commentary summarizing any action items and next steps.

Thank you to those who participated in the survey. I look forward to discussing this matter at the upcoming Board meeting.



## BOARD SELF-EVALUATION 2016

### Governance – General

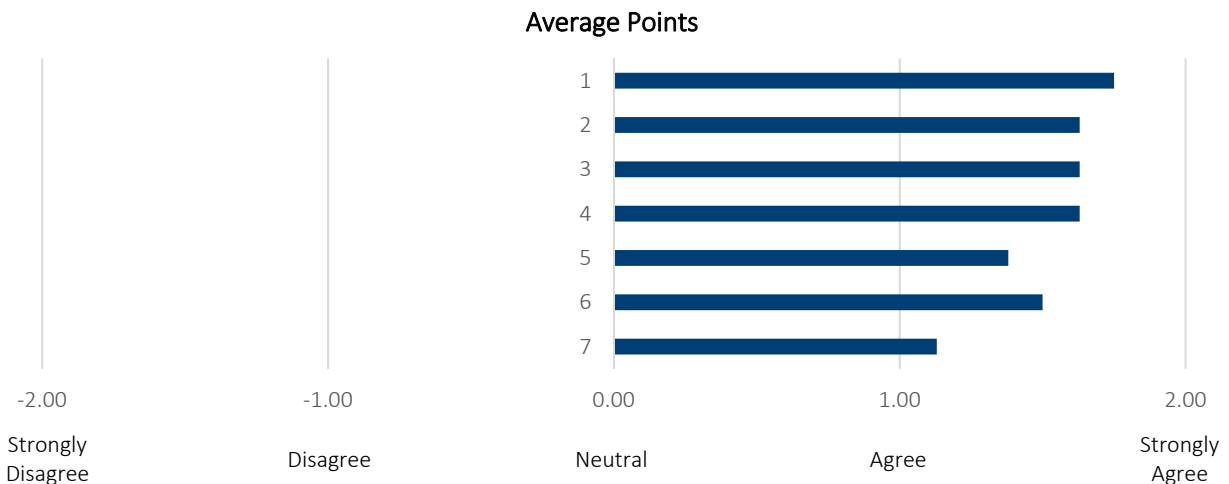
| # | Question   | Points: | Responses              |               |             |            |                     | Average Points |
|---|--|---------|------------------------|---------------|-------------|------------|---------------------|----------------|
|   |  |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) | Strongly Agree (+2) |                |
| 1 | The Board actively embraces its responsibilities and brings its collective skills and experiences to bear in providing independent, objective, and thoughtful oversight and guidance to the organization |         | 0                      | 0             | 0           | 2          | 6                   | 1.75           |
| 2 | Board members are aware of what is expected of them  |         | 0                      | 0             | 0           | 3          | 5                   | 1.63           |
| 3 | The Board has an effective role in the adoption of broad strategies, business objectives and plans   |         | 0                      | 0             | 0           | 3          | 5                   | 1.63           |
| 4 | The Board provides appropriate direction and support to the Chair and management   |         | 0                      | 0             | 0           | 3          | 5                   | 1.63           |
| 5 | The Board is satisfied with the processes that permit discussion and advance consideration of important matters, based on appropriate and timely information and analysis                                |         | 0                      | 0             | 1           | 3          | 4                   | 1.38           |
| 6 | When necessary, adequate information is received between Board meetings  |         | 0                      | 0             | 0           | 4          | 4                   | 1.50           |
| 7 | The board's structure allows it to get work done in a timely and effective way   |         | 0                      | 1             | 0           | 4          | 3                   | 1.13           |

#### Additional Comments:

The meetings have become longer than I think they need to be. I think discussion should be more focused.

With only 4 meetings/year it is sometimes difficult to get input or approval for matters which require timely attention. Should consider use of Executive Committee or delegate more authority to Chair to deal with these situations

I was initially reluctant to "Strongly Agree" with all of the above, but I think those are the most accurate responses.



## BOARD SELF-EVALUATION 2016

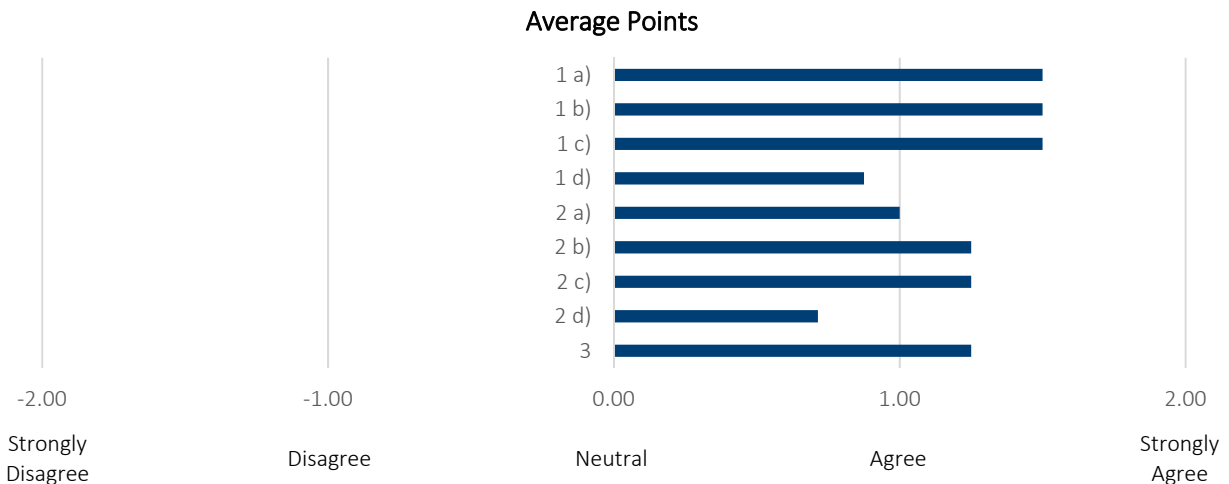
### Committees

| # | Question  | Points: | Responses              |               |             |            | Average Points |
|---|---|---------|------------------------|---------------|-------------|------------|----------------|
|   |   |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) |                |
| 1 | Board committees complete their tasks in an effective and timely way                                      |         |                        |               |             |            |                |
|   | a) Audit  | 0       | 0                      | 0             | 4           | 4          | 1.50           |
|   | b) Claims   | 0       | 0                      | 0             | 4           | 4          | 1.50           |
|   | c) Risk Management  | 0       | 0                      | 0             | 4           | 4          | 1.50           |
|   | d) Policy   | 0       | 0                      | 2             | 5           | 1          | 0.88           |
| 2 | Board committee assignments generally reflect the interests and expertise of the individual Board members |         |                        |               |             |            |                |
|   | a) Audit  | 0       | 0                      | 2             | 4           | 2          | 1.00           |
|   | b) Claims   | 0       | 0                      | 1             | 4           | 3          | 1.25           |
|   | c) Risk Management  | 0       | 0                      | 1             | 4           | 3          | 1.25           |
|   | d) Policy   | 0       | 0                      | 3             | 3           | 1          | 0.71           |
| 3 | Board committees streamline work process and increase board effectiveness                                 |         |                        |               |             |            |                |
|   |   | 0       | 0                      | 0             | 6           | 2          | 1.25           |

#### Additional Comments:

These questions are extremely difficult to answer with any substantial certainty because I am only aware directly of the committee I work on and know only that no one has voiced objections to the committees they have been placed on. I would therefore suggest that limited value should be placed on these answers as my experience is likely the same as everyone else's. Consider adding "I have no knowledge" to these answers next time.

Often require additional support such as drafting which most board members may not want to do. Should have arrangements to access this assistance as required





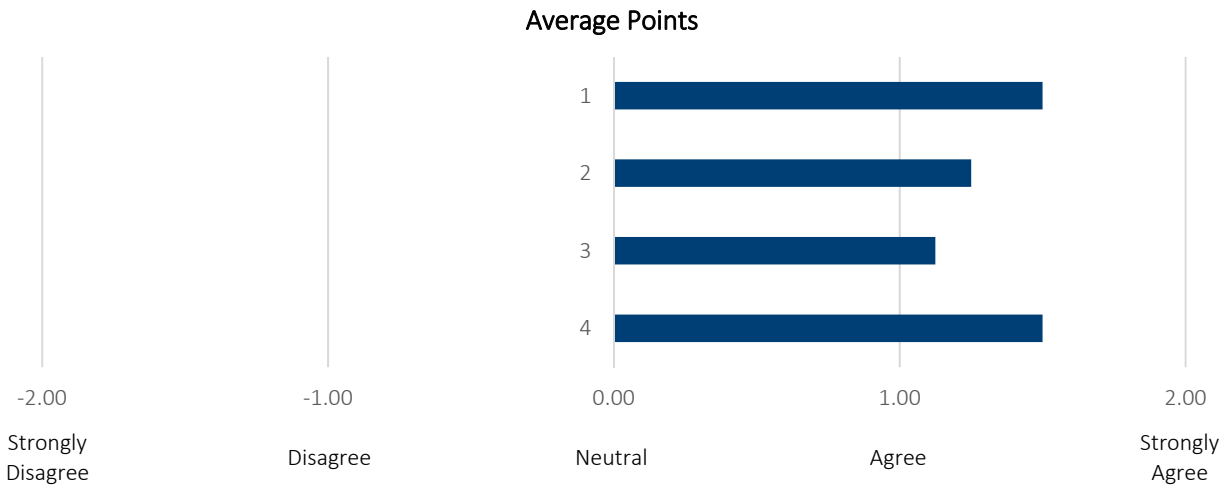
## BOARD SELF-EVALUATION 2016

### Preparation for Meetings

| # | Question  | Points: | Responses              |               |             |            |                     | Average Points |
|---|---|---------|------------------------|---------------|-------------|------------|---------------------|----------------|
|   |   |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) | Strongly Agree (+2) |                |
| 1 | The Board gets suitable information in support of agenda items                      |         | 0                      | 0             | 0           | 4          | 4                   | 1.50           |
| 2 | Meeting materials are not overwhelming in quantity                                  |         | 0                      | 0             | 0           | 6          | 2                   | 1.25           |
| 3 | Meeting materials are received in sufficient time to allow for adequate preparation |         | 0                      | 0             | 1           | 5          | 2                   | 1.13           |
| 4 | The right matters get placed on Board agendas including issues raised by Committees |         | 0                      | 0             | 0           | 4          | 4                   | 1.50           |

#### Additional Comments:

Should get meeting materials at least one week prior to meeting in order to permit adequate review time





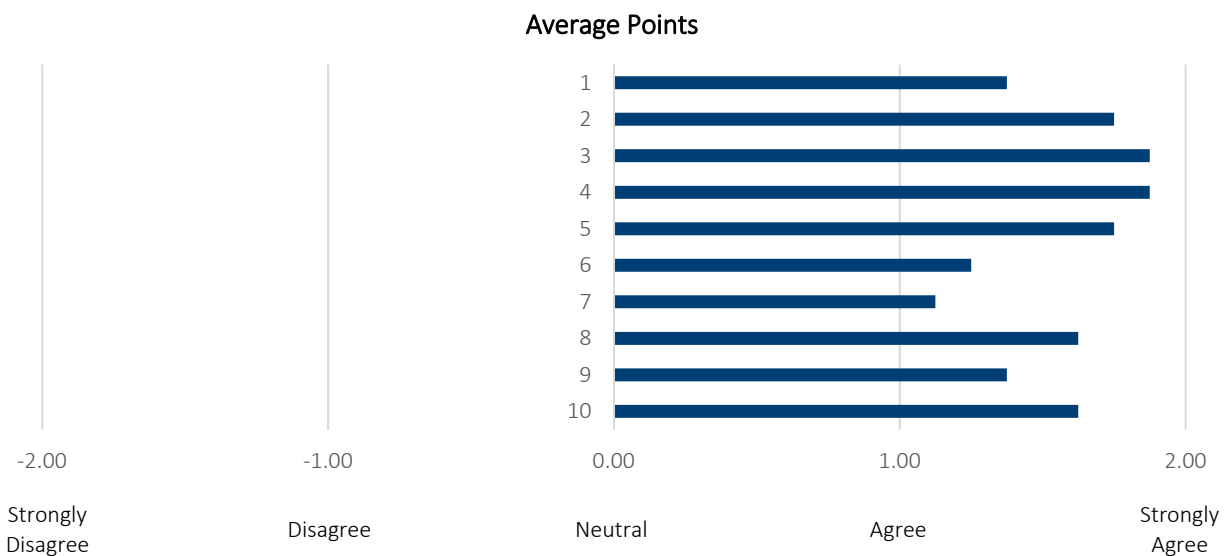
## BOARD SELF-EVALUATION 2016

### Conduct of Meetings

| #  | Question   | Points: | Responses              |               |             |            |                     | Average Points |
|----|--|---------|------------------------|---------------|-------------|------------|---------------------|----------------|
|    |  |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) | Strongly Agree (+2) |                |
| 1  | Meeting materials provide appropriate context and background information to support informed decision-making |         | 0                      | 0             | 0           | 5          | 3                   | 1.38           |
| 2  | Meetings allow for candid, constructive discussion and critical questioning                                  |         | 0                      | 0             | 1           | 0          | 7                   | 1.75           |
| 3  | Debates take place in an atmosphere of mutual respect and courtesy   |         | 0                      | 0             | 0           | 1          | 7                   | 1.88           |
| 4  | The authority of the Chair is respected  |         | 0                      | 0             | 0           | 1          | 7                   | 1.88           |
| 5  | Management's involvement in meetings is at an appropriate level  |         | 0                      | 0             | 0           | 2          | 6                   | 1.75           |
| 6  | Board members come to meetings prepared  |         | 0                      | 0             | 0           | 6          | 2                   | 1.25           |
| 7  | Decision making processes are satisfactory   |         | 0                      | 0             | 1           | 5          | 2                   | 1.13           |
| 8  | Matters arising from minutes and other outstanding items from prior meetings are suitably addressed          |         | 0                      | 0             | 0           | 3          | 5                   | 1.63           |
| 9  | Issues and opportunities that arise are brought to the Board in a timely fashion                             |         | 0                      | 0             | 0           | 5          | 3                   | 1.38           |
| 10 | The minutes are a fair record of Board proceedings   |         | 0                      | 0             | 0           | 3          | 5                   | 1.63           |

#### Additional Comments:

See earlier comment re need sometimes for quicker decision making process





## BOARD SELF-EVALUATION 2016

### Financial and Operational Performance

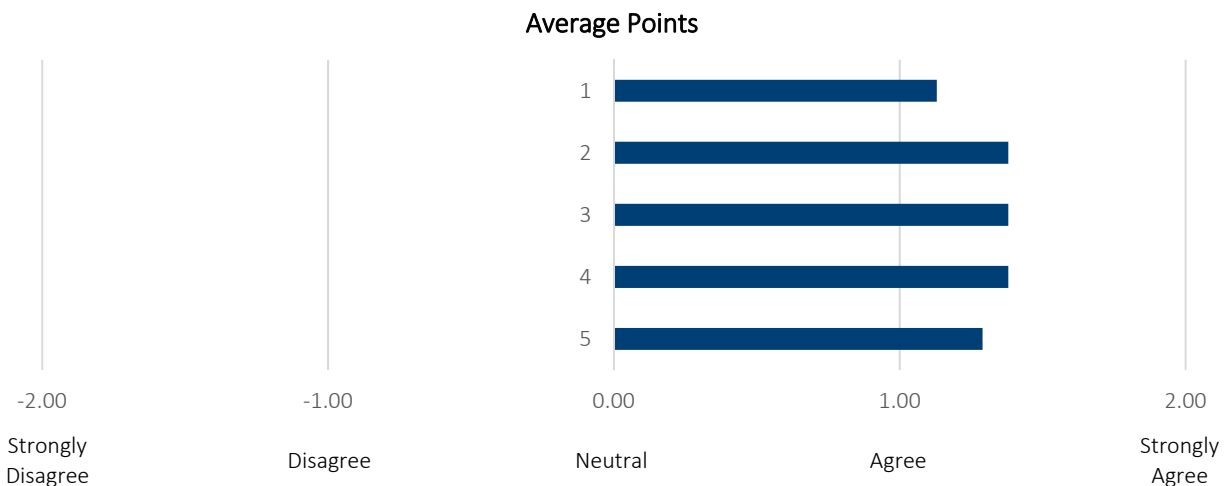
| # | Question   | Points: | Responses              |               |             |            |                     | Average Points |
|---|--|---------|------------------------|---------------|-------------|------------|---------------------|----------------|
|   |  |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) | Strongly Agree (+2) |                |
| 1 | Financial matters are clearly presented and understood by the Board  |         | 0                      | 0             | 1           | 5          | 2                   | 1.13           |
| 2 | Financial risks and capital adequacy are clearly presented and understood by the Board   |         | 0                      | 0             | 0           | 5          | 3                   | 1.38           |
| 3 | Clear and appropriate monitoring reports on all aspects of the organization are presented at Board meetings  |         | 0                      | 0             | 0           | 5          | 3                   | 1.38           |
| 4 | Appropriate financial and regulatory matters are undertaken by Committees  |         | 0                      | 0             | 0           | 5          | 3                   | 1.38           |
| 5 | The Board has appropriate information to satisfy itself that all regulatory and legal requirements for which the Board has responsibility are being discharged properly, and in a timely fashion |         | 0                      | 0             | 0           | 5          | 2                   | 1.29           |

#### Additional Comments:

Like most financial reporting at a board level, I think the board understands less than would be optimal.

My "neutral" response above is a comment on me, not the board as a whole. Things are well presented to the board, but I never go behind those presentations. I trust the audit committee to do that.

Some education on financial accounting for insurance entities would be helpful. I had some financial statement training but the statements are different and more complicated in this sphere and were very foreign for a long time.





## BOARD SELF-EVALUATION 2016

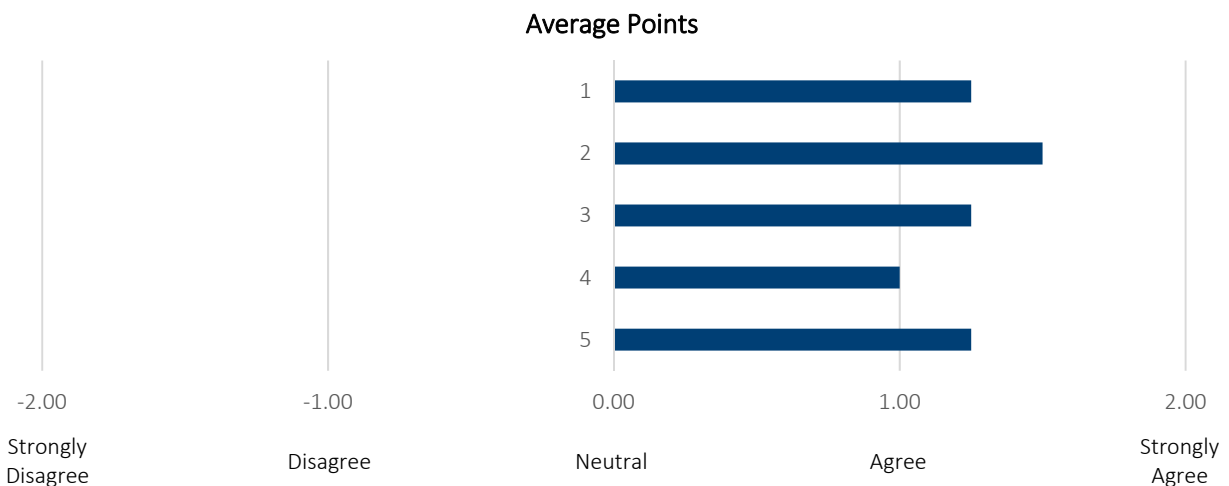
### Strategic Planning and Risk Assessment

| # | Question   | Points: | Responses              |               |             |            |                     | Average Points |
|---|--|---------|------------------------|---------------|-------------|------------|---------------------|----------------|
|   |  |         | Strongly Disagree (-2) | Disagree (-1) | Neutral (0) | Agree (+1) | Strongly Agree (+2) |                |
| 1 | CLLAS has a vision and a mission that is understood by all Board members   |         | 0                      | 1             | 0           | 3          | 4                   | 1.25           |
| 2 | The Board is appropriately involved in the strategic planning process  |         | 0                      | 0             | 1           | 2          | 5                   | 1.50           |
| 3 | The Board has appropriate structures and processes to help evaluate CLLAS' short and long term strategy and objectives |         | 0                      | 0             | 1           | 4          | 3                   | 1.25           |
| 4 | The Board spends an appropriate amount of time to discuss strategy   |         | 0                      | 1             | 1           | 3          | 3                   | 1.00           |
| 5 | In making every major decision, the Board analyzes the potential risks arising from the decision                       |         | 0                      | 0             | 0           | 6          | 2                   | 1.25           |

#### Additional Comments:

I do not know the CLLAS vision and mission is. I know that the organization provides great insurance coverage for my firm which we are very happy with. However, what the actual vision or mission of CLLAS is beyond keeping that insurance intact and at a highly competitive price, I do not know.

Should be periodic special sessions (perhaps annually) to review long term strategy and objectives





## BOARD SELF-EVALUATION 2016

### Open-Ended Questions

| Question   | Responses (unedited except for spelling)  |
|--|---|
| The best thing about the Board is:   | <ul style="list-style-type: none"> <li>• Collegiality, candidness and professionalism</li> <li>• Committed members</li> <li>• Its members are highly intelligent people committed to CLLAS's ongoing success who deal with one another in an extremely professional and courteous manner.</li> <li>• Varied and special talents and skills</li> <li>• Enthusiasm and commitment of Board Members</li> <li>• frank and open discussion</li> <li>• Well organized and focused</li> </ul>  |
| The biggest issue facing the Board is:   | <ul style="list-style-type: none"> <li>• Increasing the number of member firms</li> <li>• Chair succession</li> <li>• Succession.</li> <li>• Maintains relevance of CLLAS in changing landscape for law firms; also need to address large claims incidence</li> <li>• Succession planning for the Chair</li> <li>• poaching of members by Aon, etc.</li> <li>• Retaining member firms in competitive market, managing risk among entities that compete for work.</li> </ul>   |
| One thing I would change is:   | <ul style="list-style-type: none"> <li>• Creating a "primer" or other similar document as a baseline reference for historical issues and how they were solved as well as outlining the Board's roles and responsibilities. A handbook, of sorts.</li> <li>• Shorter more disciplined discussion</li> <li>• Despite my involvement for years, I have no idea what the confidential claims page means and have no idea what decisions I should be making or information I should be gleaning from it. It is given out at every meeting as a highly confidential document and I have no idea what it means. I think many other board members are in the same position.</li> <li>• Update CLLAS and Colchester documents and structure</li> <li>• Not certain</li> <li>• Nothing comes to mind</li> </ul> |
| My thoughts on more fully engaging the Board in the processes of strategic planning are: | <ul style="list-style-type: none"> <li>• Maintaining the high standards currently in place</li> <li>• Determine what the vision and mission is and then find out how is interested in advancing that point.</li> <li>• Periodic meetings of board to specifically deal with strategic issues</li> <li>• Not certain</li> <li>• Nothing comes to mind</li> </ul>   |



## BOARD SELF-EVALUATION 2016

| Question   | Responses (unedited except for spelling)  |
|--|---|
| My personal overall satisfaction is:   | <ul style="list-style-type: none"> <li>• Very satisfying</li> <li>• High - I find the meetings informative, the risk issues raised highly relevant, and I am happy with the coverage CLLAS provides.</li> <li>• High</li> <li>• Very satisfied</li> <li>• High</li> <li>• high</li> </ul>       |
| Compared to other Boards, this Board is:   | <ul style="list-style-type: none"> <li>• Focussed and organized</li> <li>• Well managed and extremely cordial.</li> <li>• Very engaged and supportive</li> <li>• Competent, committed and effective</li> <li>• Transparent</li> <li>• well qualified and focused on clear objectives</li> </ul> |
| <b>Other comments:</b><br>Please comment on any of the above questions or any aspects you think might be valuable to the Board | <ul style="list-style-type: none"> <li>• Very professional organization with high skill level and commitment from board members and professional advisors</li> </ul>  |

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 25, 2016

Mr. Patrick Mahoney,  
Axxima,  
36 Toronto Street, Suite 510  
Toronto ON M5C 2C5



Dear Patrick:

**Re: Canadian Lawyers Liability Assurance Society**

Please find enclosed our quarterly investment report for the period ending September 30 last on the Short and Long Term Fund last for CLLAS, together with a copy of our accounts, the originals of which have been sent to RBC Dexia Investor Services for payment.

Domestic bond prices were mostly range-bound during the third quarter and at the end of September the results were mixed, with shorter term issues closing slightly lower on balance, while longer term bonds edged ahead.

Reflecting these trends, the Long Term Fund recorded a slight capital decrease, although the total return remained positive, due to income returns.

During the quarter in the Long Term Investment Fund, a provincial bond matured, and the resulting proceeds, along with a small portion of the cash reserve in the Short Term Fund, were used to introduce a new medium term provincial bond to the list. Further activity involved the roll-over of maturities in the Short Term Investment Fund.

Please do not hesitate to call if you have any questions or comments on the report.

With best regards,

Yours sincerely,

RWB/mab  
Enclosures

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

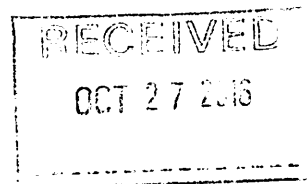
*Duplicate*

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

October 25, 2016

In account with

**Canadian Lawyers Liability Assurance Society**  
**- Short Term Investment Fund**



---

Valuation of Short Term Investment Fund  
at September 30, 2016

\$11,941,614

Investment Counsel Fee for the period  
July 1 to September 30, 2016  
at .025% (1/4 of .10% per annum)

\$2,985.40

Harmonized Sales Tax (HST) at 13%

388.10

\$3,373.50

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

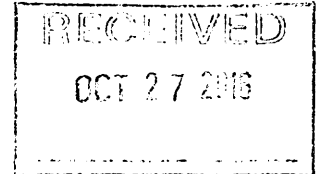
*duplicate*

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

October 25, 2016

In account with

**Canadian Lawyers Liability Assurance Society**  
**- Long Term Investment Fund**



---

Valuation of Long Term Investment Fund  
at September 30, 2016

\$4,890,611

Investment Counsel Fee for the period  
July 1 to September 30, 2016  
at .0625% (1/4 of .25% per annum)

\$3,056.63

Harmonized Sales Tax (HST) at 13%

397.36

\$3,453.99

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

HST Registration No. R103546115



**CLLAS**  
***CANADIAN LAWYERS LIABILITY***  
***ASSURANCE SOCIETY***

**INVESTMENT REPORT**  
**SEPTEMBER 30, 2016**

**MARTIN, LUCAS & SEAGRAM LTD.**  
**INDEPENDENT INVESTMENT COUNSEL**

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Toronto, Ontario  
M5E 1G9

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Fax: 416-363-4538  
e-mail: [info@mlsinvest.com](mailto:info@mlsinvest.com)

***CLLAS***  
***CANADIAN LAWYERS LIABILITY***  
***ASSURANCE SOCIETY***

**COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2016**

**Review of Market Yields**

After dipping lower early in the third quarter, bond yields traded in a bumpy sideways trading pattern and at the end of September, yields across the curve showed only small changes in both directions. At the short end, the yield on 3-Month Treasury Bills increased 5 basis points, while the yield on the 10-year Canadas declined 6 basis points.

As a result of the slight uptick at the short end and the downward shift in yields at the longer end, the yield curve flattened during the third quarter as the yield advantage of 10-year issues over Treasury Bills declined to 47 points at the end of September, from 58 basis points three months earlier.

|                        | Jan. 1/95 | Mar. 31/16 | Jun. 30/16 | Sep. 30/16 |
|------------------------|-----------|------------|------------|------------|
| 3-Month Treasury Bills | 6.80%     | 0.45%      | 0.48%      | 0.53%      |
| 5-year Canadas         | 8.99%     | 0.68%      | 0.57%      | 0.62%      |
| 10-year Canadas        | 9.09%     | 1.23%      | 1.06%      | 1.00%      |

During the quarter, in the Short Term Investment Fund, activity involved the roll-over of money market securities.

In the Long Term Investment Fund, a provincial bond matured, and the resulting proceeds, along with a small portion of the cash reserve in the Short Term Fund, were used to introduce a new medium term provincial bond to the list.

During the third quarter, the market value of the Long Term Investment Fund holdings declined by \$2,288, which represents a capital decrease of 0.05%.

At September 30, 2016, the average term to maturity of the Long Term Investment Fund stood at 3.9 years.

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

| <b><i>Distribution at September 30, 2016</i></b> | <b><i>Valuation</i></b> | <b><i>%</i></b> |
|--|-------------------------|-----------------|
| Short Term Investment Fund                       | \$11,941,614            | 70.9%           |
| Long Term Investment Fund                        | 4,890,611               | 29.1%           |
| <b>TOTAL COMBINED VALUATION</b>                  | <b>\$16,832,225</b>     | <b>100.0%</b>   |

## ***CLLAS***

### **CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

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

- 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, 2016
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

## **CLLAS**

### **LONG TERM INVESTMENT FUND**

#### **TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING JUNE 30, 2016**

|   | Since<br>Inception<br>Dec. 17/13* | 2 Years*            | 1 Year              | Last 3<br>months    |
|---|-----------------------------------|---------------------|---------------------|---------------------|
| <b><i>Long Term Investment Fund<br/>– Gross of Fees</i></b> | <b><i>3.59%</i></b>               | <b><i>3.73%</i></b> | <b><i>3.18%</i></b> | <b><i>0.54%</i></b> |
| <b><i>Long Term Investment Fund<br/>– Net of Fees</i></b>   | <b><i>3.29%</i></b>               | <b><i>3.43%</i></b> | <b><i>2.89%</i></b> | <b><i>0.47%</i></b> |
| <b>Benchmark Portfolio **</b>                               | <b>4.16%</b>                      | <b>4.02%</b>        | <b>3.57%</b>        | <b>0.64%</b>        |

\*Annualized

\*\* The Benchmark Portfolio is based on the sum of the following total return indices:  
60% Canada Short Bond Index  
40% Canada Mid Bond Index

### **SHORT TERM INVESTMENT FUND**

#### **TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING SEPTEMBER 30, 2016**

|  | Since<br>Inception<br>Oct. 1/08 * | 3 Years*            | 2 Years *           | 1 Year              | Last 3<br>Months    |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b><i>Short Term Investment Fund<br/>– Gross of Fees</i></b> | <b><i>0.78%</i></b>               | <b><i>0.70%</i></b> | <b><i>0.60%</i></b> | <b><i>0.55%</i></b> | <b><i>0.14%</i></b> |
| <b><i>Short Term Investment Fund<br/>– Net of Fees</i></b>   | <b><i>0.65%</i></b>               | <b><i>0.59%</i></b> | <b><i>0.49%</i></b> | <b><i>0.44%</i></b> | <b><i>0.11%</i></b> |
| <b>Benchmark Portfolio **</b>                                | <b>0.74%</b>                      | <b>0.69%</b>        | <b>0.57%</b>        | <b>0.46%</b>        | <b>0.12%</b>        |

\* 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)

|  | Dec. 17/13    | Dec. 31/15    | Mar. 31/16    | Jun. 30/16    | Sep. 30/16    |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Bonds, Treasury Bills &amp; Cash</b><br>Less than 1 year term | 100.0%        | 16.8%         | 16.8%         | 16.6%         | 21.2%         |
| <b>Canadas</b><br>Greater than 1 year term                       |               | 19.5%         | 19.5%         | 19.6%         | 19.2%         |
| <b>Provincials</b><br>Greater than 1 year term                   |               | 31.2%         | 31.2%         | 31.3%         | 31.6%         |
| <b>Corporates</b><br>Greater than 1 year term                    |               | 32.5%         | 32.5%         | 32.5%         | 28.0%         |
| <b>TOTAL PORTFOLIO</b>   | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

## LONG TERM INVESTMENT FUND

### DISTRIBUTION OF SECURITIES BY MATURITY

(Based on Market Values)

|                               | Dec. 31/15    | Mar. 31/16    | Jun. 30/16    | Sep. 30/16    |
|-------------------------------|---------------|---------------|---------------|---------------|
| Under 1 year                  | 16.8%         | 16.8%         | 16.6%         | 21.2%         |
| 1 - 3 years                   | 28.4%         | 28.2%         | 33.4%         | 26.2%         |
| 3 - 5 years                   | 21.6%         | 21.6%         | 20.7%         | 16.2%         |
| 5 - 7 years                   | 20.2%         | 23.6%         | 19.3%         | 23.4%         |
| 7 - 10 years                  | 13.0%         | 9.8%          | 10.0%         | 13.0%         |
| <b>TOTAL</b>                  | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| <b>Average Maturity (yrs)</b> | <b>3.94</b>   | <b>3.70</b>   | <b>3.47</b>   | <b>3.91</b>   |
| <b>Average Duration (yrs)</b> | <b>3.65</b>   | <b>3.43</b>   | <b>3.23</b>   | <b>3.61</b>   |

## SHORT TERM INVESTMENT FUND

|  | Dec. 31/15  | Mar. 31/16  | Jun. 30/16  | Sep. 30/16  |
|--|-------------|-------------|-------------|-------------|
| <b>Short Term</b><br><b>Average Duration (yrs)</b> | <b>0.12</b> | <b>0.07</b> | <b>0.14</b> | <b>0.08</b> |

# CLLAS

## COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2016

|   | Investment Limits | Investment Funds | Compliance |
|---|-------------------|------------------|------------|
| <b><i>Short Term Investment Fund</i></b>        |                   |                  |            |
| Maximum Term of Any Issue                       | 1 year            | 0.1 years        | Yes        |
| Minimum Percentage of Total Fund (Short & Long) | 40% of Total      | 70.9%            | Yes        |
| Minimum Canada & Provincial Percentage          | 50%               | 50.4%            | Yes        |
| Minimum Provincial Quality                      | A                 | N/A              | Yes        |
| Minimum Bank CD & BA Quality                    | R1 (high)         | R1 (high)        | Yes        |
| <b><i>Long Term Investment Fund</i></b>         |                   |                  |            |
| Maximum Term of Any Issue                       | 10 years          | 9.7 years        | Yes        |
| Maximum Percentage of Total Fund (Short & Long) | 60% of Total      | 29.1%            | Yes        |
| Minimum Canada Percentage                       | 20%               | 25.4%            | Yes        |
| Maximum Provincial Percentage                   | 40%               | 38.4%            | Yes        |
| Minimum Canada & Provincial Percentage          | 60%               | 63.8%            | Yes        |
| Minimum Provincial Quality *                    | A                 | AA (low)         | Yes        |
| Maximum Corporate Percentage                    | 40%               | 36.2%            | Yes        |
| Minimum Corporate Quality *                     | A                 | AA               | Yes        |

*\* At time of purchase*

This will confirm that during the second quarter the Long Term Investment Fund was managed in compliance with the Investment Policy limits provided on December 3, 2013.

Similarly, during the same period the Short Term Fund remained in compliance with the Investment Policy Statement that became effective on May 5, 2012.

# ***CLLAS***

Martin, Lucas & Seagram Ltd.  
**PERFORMANCE REPORT**  
**GROSS OF FEES**  
***CLLAS - LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 06-30-16 to 09-30-16*

|                             |              |
|-----------------------------|--------------|
| Portfolio Value on 06-30-16 | 4,827,499    |
| Accrued Interest            | 20,190       |
| Contributions               | 367,208      |
| Withdrawals                 | -322,167     |
| Realized Gains              | -543         |
| Unrealized Gains            | -1,746       |
| Interest                    | 20,359       |
| Dividends                   | 0            |
| Change in Accrued Interest  | 7,912        |
| Portfolio Value on 09-30-16 | 4,890,611    |
| Accrued Interest            | 28,103       |
| Average Capital             | 4,832,846    |
| Total Gain before Fees      | 25,982       |
| <b>IRR for 0.25 Years</b>   | <b>0.54%</b> |

## ***CLLAS***

### **BOND MARKET COMMENTARY AND FUTURE POLICY**

After more than recouping the post-Brexit losses early in the third quarter, the rally in global equity markets stalled and stocks have been generally range bound over the past few months. Meanwhile, domestic bond yields shifted sharply lower following the vote and have settled into a volatile sideways trading range. During this period, the security markets have been buffeted by various crosscurrents on the economic, political and monetary fronts.

In the wake of Brexit, expectations of additional stimulative measures from central banks, that would keep interest rates lower for longer, helped calm the markets and fuelled a recovery in stocks and a downward shift in the yield curve. However, subsequent moves by several major banks have changed perceptions on the possible direction of future policies. Last month, the European Central Bank disappointed expectations for more stimulus by maintaining its current bond-buying program and holding administered rates steady. The Bank of Japan also shifted its focus, due to mounting concerns that the adoption of negative rates has been ineffective and possibly counter-productive. Rather than expanding the money supply further to push rates deeper into negative territory, the Bank will now target a yield of zero for 10-year bonds.

Meanwhile, news on the global economic front has turned moderately better of late. In the U.S., a relatively buoyant consumer sector, fuelled by good job gains, has been partly offset by weakness in business spending and exports, slow productivity growth and declining corporate profits. As a result, aggregate growth averaged just over 1% during each of the last three quarters to June 30. However, economic data in recent months has improved on balance and preliminary estimates suggest growth has increased to around a 2% pace in the third quarter. As a result, Federal Reserve officials have indicated that they believe the economy is strong enough to warrant a small rate increase before year-end.

In Canada, following a difficult second quarter, when the economy contracted at an annualized rate of 1.6% due largely to the Alberta wildfires and a slump in non-energy exports, the domestic economy bounced back during the third quarter. Based on the indicators to date, third quarter growth is expected to more than recoup the lost ground, led by a recovery in oil output, strength in the export sector and resilience in the services sector, including retailing, which likely received a boost from the enhanced Canada Child Benefit. Job growth has also rebounded, as employment gains in both August and September came in well above expectations. Nevertheless, numerous structural economic headwinds remain. These include low productivity growth, excess capacity, weak business investment, an overextended consumer and the possibility of softer real estate markets in the wake of recently announced measures to cool domestic and foreign housing demand. As a result, the Bank of Canada expects 2016 aggregate growth of just 1.1%, which is only slightly ahead of last year's gain. In contrast to the U.S. Fed, Canada's central bank is actively considering the possibility of adding more monetary stimulus through a rate cut. However, the Bank has remained on hold for now while they assess the impact from fiscal stimulus and the recent tightening of mortgage rules.



## *CLLAS*

On the European front, the U.K. economy has proven more resilient than initially feared in the wake of the Brexit vote. Following a modest dip, both the service and manufacturing sectors have subsequently rebounded. This has been partly attributed to the Bank of England decision to cut its interest rate in half to a record low of 0.25% and the falling value of the pound, which has provided a boost to U.K. exporters. However, subsequent comments from the Prime Minister indicating support for a “hard Brexit”, in order to maintain control over immigration at the expense of tariff-free access to the EU market, have triggered considerable uncertainty for the economy going forward. In light of the complex and formidable challenges of reaching a satisfactory separation agreement with the EU, the International Monetary Fund just lowered next year’s estimate for U.K. growth by half to 1.1% and expects the Euro Area expansion to slow to 1.5% in 2017 from 1.7% this year. Additional obstacles to growth include the substantial exposure to non-performing loans by major European banks and growing uncertainty surrounding the long-term effects of negative interest rates implemented by the European Central Bank, despite being supportive in the near term.

Turning to Asia, China’s economic growth has held steady at 6.7% over each of the first three quarters of 2016, which is in line with the government’s full year target range of 6.5% to 7.0%. During this period, consumption contributed over 73% to the growth rate, compared to 60% a year earlier. This indicates the authorities are making progress on rebalancing the economy away from a production-oriented export economy to one centered more on domestic consumption. The most recent economic data has also been encouraging. The manufacturing sector has returned to expansion mode, the property sector is recovering and the service sector index has strengthened. As a result, the risks of a hard landing have subsided. Meanwhile, second quarter growth in Japan surprised on the upside following similar results in the first quarter. However, there has been little follow-through in the third quarter. As a result, in yet another effort to spur growth and inflation, the government recently announced a sizeable fiscal stimulus package.

Looking ahead, world economic growth is widely expected to reach approximately 3% this year, which would be the slowest pace since 2009, and the International Monetary Fund forecasts a modest improvement to 3.4% next year. This forecast is supported by a more constructive outlook for China and other developing economies, strengthening commodity prices, including energy, the favourable monetary backdrop and a growing likelihood that developed economies will turn to more expansionary fiscal policies to support growth. This backdrop has pushed inflation expectations moderately higher and North American bond yields have moved to the upper end of the range that has persisted since the summer, although yields remain well below their levels at the beginning of the year.

## **CLLAS**

At this juncture, we believe bond yields remain in a long-term bottoming process and do not expect yields to move higher on a sustained basis as the fundamental factors that have depressed yields for some time are not expected to reverse in the near term. These include excessive global debt loads, which now exceed levels prior to the great recession, excess capacity in the materials, manufacturing and labour markets, as well as the lingering output gap, which is expected to keep inflation risks contained. Furthermore, investors continue to face a fragile global economic backdrop and a variety of near-term event risks could rattle confidence and trigger a flight into sovereign bonds. Given the degree of uncertainty, we believe the bond market remains susceptible to wide swings in sentiment. Keeping in mind the risks of moving to longer duration issues when yields remain near historical lows, we believe it is prudent to maintain the portfolio's current duration of 3.6 years and look for opportunities to moderately increase the portfolio's duration if yields do move higher.

RWB/mab  
October 25, 2016

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

Martin, Lucas & Seagram Ltd.

**CLLAS - SHORT TERM INVESTMENT FUND**  
(RBC Investor Services)

**Portfolio Holdings at September 30, 2016**

| <u>Quantity</u>            | <u>Security</u>  | <u>Unit<br/>Cost</u> | <u>Price</u> | <u>Market<br/>Value</u> | <u>Annual<br/>Income</u> |
|----------------------------|--|----------------------|--------------|-------------------------|--------------------------|
| <b>CASH</b>                |  |                      |              |                         |                          |
|                            | Cash Account   |                      |              | 3,227                   | 0                        |
| <b>MONEY MARKET ISSUES</b> |  |                      |              |                         |                          |
| 500,000                    | Bank of Nova Scotia BA .717%<br>due October 5, 2016    | 99.84                | 99.99        | 499,946                 | 3,579                    |
| 1,475,000                  | Canada Treasury Bill .409%<br>due October 6, 2016      | 99.91                | 99.99        | 1,474,873               | 6,027                    |
| 550,000                    | Royal Bank BA .71%<br>due October 18, 2016             | 99.96                | 99.94        | 549,690                 | 3,903                    |
| 1,005,000                  | Canada Treasury Bill .40%<br>due October 20, 2016      | 99.92                | 99.98        | 1,004,749               | 4,017                    |
| 885,000                    | CIBC BA .701%<br>due October 21, 2016                  | 99.88                | 99.96        | 884,615                 | 6,196                    |
| 510,000                    | Bank of Nova Scotia BA .715%<br>due October 25, 2016   | 99.95                | 99.95        | 509,752                 | 3,645                    |
| 795,000                    | FirstBank BA .72%<br>due November 1, 2016              | 99.93                | 99.93        | 794,409                 | 5,720                    |
| 1,755,000                  | Canada Treasury Bill .419%<br>due November 3, 2016     | 99.89                | 99.96        | 1,754,221               | 7,345                    |
| 430,000                    | CIBC BA .70%<br>due November 8, 2016                   | 99.92                | 99.92        | 429,637                 | 3,008                    |
| 835,000                    | CIBC BA .739%<br>due November 8, 2016                  | 99.89                | 99.92        | 834,294                 | 6,164                    |
| 1,775,000                  | Canada Treasury Bill .44%<br>due November 17, 2016     | 99.90                | 99.94        | 1,773,880               | 7,802                    |
| 1,430,000                  | Toronto Dominion Bank BA .70%<br>due November 23, 2016 | 99.85                | 99.88        | 1,428,321               | 9,995                    |
|                            |  |                      |              | <u>11,938,387</u>       | <u>67,401</u>            |
| <b>TOTAL PORTFOLIO</b>     |  |                      |              | <b>11,941,614</b>       | <b>67,401</b>            |

**Disclosures:**

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an \*, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-16 To 09-30-16*

| Trade Date       | Settle Date | Quantity  | Security   | Unit Price | Amount               |
|------------------|-------------|-----------|--|------------|----------------------|
| <b>PURCHASES</b> |             |           |  |            |                      |
| 07-13-16         | 07-14-16    | 500,000   | Bank of Nova Scotia BA .717%<br>due October 5, 2016      | 99.84      | 499,185.00           |
| 07-13-16         | 07-14-16    | 1,475,000 | Canada Treasury Bill .409%<br>due October 6, 2016        | 99.91      | 1,473,613.50         |
| 07-27-16         | 07-28-16    | 1,755,000 | Canada Treasury Bill .419%<br>due November 3, 2016       | 99.89      | 1,753,023.87         |
| 08-10-16         | 08-11-16    | 1,005,000 | Canada Treasury Bill .40%<br>due October 20, 2016        | 99.92      | 1,004,229.17         |
| 08-16-16         | 08-17-16    | 885,000   | CIBC BA .701%<br>due October 21, 2016                    | 99.88      | 883,897.29           |
| 08-24-16         | 08-25-16    | 1,775,000 | Canada Treasury Bill .44%<br>due November 17, 2016       | 99.90      | 1,773,203.70         |
| 09-02-16         | 09-06-16    | 1,430,000 | Toronto Dominion Bank BA .70%<br>due November 23, 2016   | 99.85      | 1,427,863.58         |
| 09-12-16         | 09-13-16    | 835,000   | CIBC BA .739%<br>due November 8, 2016                    | 99.89      | 834,053.11           |
| 09-23-16         | 09-26-16    | 430,000   | CIBC BA .70%<br>due November 8, 2016                     | 99.92      | 429,645.68           |
| 09-23-16         | 09-26-16    | 795,000   | FirstBank BA .72%<br>due November 1, 2016                | 99.93      | 794,435.55           |
| 09-23-16         | 09-26-16    | 550,000   | Royal Bank BA .71%<br>due October 18, 2016               | 99.96      | 549,764.60           |
| 09-29-16         | 09-30-16    | 510,000   | Bank of Nova Scotia BA .715%<br>due October 25, 2016     | 99.95      | 509,750.10           |
|                  |             |           |  |            | <b>11,932,665.15</b> |
| <b>SALES</b>     |             |           |  |            |                      |
| 07-14-16         | 07-14-16    | 500,000   | Bank of Nova Scotia BA .699%<br>due July 14, 2016        | 100.00     | 500,000.00           |
| 07-14-16         | 07-14-16    | 1,475,000 | Canada Treasury Bill .409%<br>due July 14, 2016          | 100.00     | 1,475,000.00         |
| 07-28-16         | 07-28-16    | 1,755,000 | Canada Treasury Bill .46%<br>due July 28, 2016           | 100.00     | 1,755,000.00         |
| 08-11-16         | 08-11-16    | 1,005,000 | Canada Treasury Bill .45%<br>due August 11, 2016         | 100.00     | 1,005,000.00         |
| 08-17-16         | 08-17-16    | 885,000   | CIBC BA .719%<br>due August 17, 2016                     | 100.00     | 885,000.00           |
| 08-25-16         | 08-25-16    | 1,770,000 | Canada Treasury Bill .48%<br>due August 25, 2016         | 100.00     | 1,770,000.00         |
| 09-06-16         | 09-06-16    | 1,500,000 | Toronto Dominion Bank BDN .769%<br>due September 6, 2016 | 100.00     | 1,500,000.00         |

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
*From 07-01-16 To 09-30-16*

| <b>Trade<br/>Date</b> | <b>Settle<br/>Date</b> | <b>Quantity</b> | <b>Security</b>  | <b>Unit<br/>Price</b> | <b>Amount</b>        |
|-----------------------|------------------------|-----------------|--|-----------------------|----------------------|
| 09-12-16              | 09-12-16               | 820,000         | CIBC BA .768%<br>due September 12, 2016                | 100.00                | 820,000.00           |
| 09-26-16              | 09-26-16               | 1,775,000       | FirstBank BA .689%<br>due September 26, 2016           | 100.00                | 1,775,000.00         |
| 09-30-16              | 09-30-16               | 500,000         | Bank of Nova Scotia BA .769%<br>due September 30, 2016 | 100.00                | 500,000.00           |
|                       |                        |                 |  |                       | <b>11,985,000.00</b> |

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Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-16 to 09-30-16*

|   |                  |                      |               |
|---|------------------|----------------------|---------------|
| Cash Balance at July 1, 2016                            |                  |                      | 7,361.99      |
| ADD: Proceeds from Sales                                | 11,985,000.00    |                      |               |
| Bond Interest Credited (from Long Term Investment Fund) | <u>22,167.00</u> | <u>12,007,167.00</u> |               |
|   |                  |                      | 12,014,528.99 |
| LESS: Cost of Purchases                                 | 11,932,665.15    |                      |               |
| Transfer to Long Term Investment Fund                   | 67,208.49        |                      |               |
| Investment Counsel Fees - Short Term Investment Fund    | 3,384.64         |                      |               |
| Investment Counsel Fees - Long Term Investment Fund     | 3,409.42         |                      |               |
| Trust Company Charges                                   | <u>4,634.32</u>  | <u>12,011,302.02</u> |               |
| Cash Balance at September 30, 2016                      |                  |                      | 3,226.97      |

| Martin, Lucas & Seagram Ltd.                                  |                               |                       |              |               |       |                 |                |  |  |
|---|-------------------------------|-----------------------|--------------|---------------|-------|-----------------|----------------|--|--|
| EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2016 |                               |                       |              |               |       |                 |                |  |  |
| CILLAS - SHORT TERM INVESTMENT FUND                           |                               |                       |              |               |       |                 |                |  |  |
| Quantity  | Security                      | Rating                | Unit<br>Cost | Total<br>Cost | Price | Market<br>Value | Pct.<br>Assets |  |  |
| CASH  |                               |                       |              |               |       |                 |                |  |  |
|   | Cash Account                  |                       |              | 3,227         |       | 3,227           | 0              |  |  |
| MONEY MARKET ISSUES   |                               |                       |              |               |       |                 |                |  |  |
| 500,000   | Bank of Nova Scotia BA .717%  | due October 5, 2016   |              |               |       |                 |                |  |  |
| 1,475,000   | Canada Treasury Bill .409%    | due October 6, 2016   |              |               |       |                 |                |  |  |
| 550,000   | Royal Bank BA .71%            | due October 18, 2016  |              |               |       |                 |                |  |  |
| 1,005,000   | Canada Treasury Bill .40%     | due October 20, 2016  |              |               |       |                 |                |  |  |
| 885,000   | CIBC BA .701%                 | due October 21, 2016  |              |               |       |                 |                |  |  |
| 510,000   | Bank of Nova Scotia BA .715%  | due October 25, 2016  |              |               |       |                 |                |  |  |
| 795,000   | FirstBank BA .72%             | due November 1, 2016  |              |               |       |                 |                |  |  |
| 1,755,000   | Canada Treasury Bill .419%    | due November 3, 2016  |              |               |       |                 |                |  |  |
| 430,000   | CIBC BA .70%                  | due November 8, 2016  |              |               |       |                 |                |  |  |
| 835,000   | CIBC BA .70%                  | due November 8, 2016  |              |               |       |                 |                |  |  |
| 1,775,000   | Canada Treasury Bill .44%     | due November 17, 2016 |              |               |       |                 |                |  |  |
| 1,430,000   | Toronto Dominion Bank BA .70% | due November 23, 2016 |              |               |       |                 |                |  |  |
|   |                               |                       |              | 11,932,665    |       | 11,938,387      | 100            |  |  |
| TOTAL PORTFOLIO   |                               |                       |              |               |       |                 |                |  |  |
|   |                               |                       |              | 11,935,892    |       | 11,941,614      | 100            |  |  |



**CLLAS - LONG TERM INVESTMENT FUND**  
(RBC Investor Services)

**Portfolio Holdings at September 30, 2016**

| Quantity                | Security  | Unit Cost | Price  | Market Value | Annual Income |
|-------------------------|---|-----------|--------|--------------|---------------|
| <b>GOVERNMENT BONDS</b> |   |           |        |              |               |
| 300,000                 | Canada Housing Trust 1.85% Series 43<br>due December 15, 2016 | 101.30    | 100.25 | 300,750      | 5,550         |
| 250,000                 | Canada Housing Trust 1.75%<br>due June 15, 2018               | 100.11    | 101.85 | 254,635      | 4,375         |
| 250,000                 | Canada Housing Trust 1.95%<br>due June 15, 2019               | 100.10    | 103.19 | 257,963      | 4,875         |
| 200,000                 | Canada Housing Trust 2.4% Series 48<br>due December 15, 2022  | 100.37    | 107.32 | 214,644      | 4,800         |
| 200,000                 | Canada Housing Trust 2.35%<br>due September 15, 2023          | 105.62    | 107.37 | 214,730      | 4,700         |
|                         |   |           |        | 1,242,722    | 24,300        |
| <b>PROVINCIAL BONDS</b> |   |           |        |              |               |
| 330,000                 | Ontario 1.90%<br>due September 8, 2017                        | 100.18    | 101.17 | 333,848      | 6,270         |
| 350,000                 | Ontario 2.1%<br>due September 8, 2018                         | 99.57     | 102.49 | 358,715      | 7,350         |
| 250,000                 | British Columbia 3.25%<br>due December 18, 2021               | 102.30    | 110.43 | 276,068      | 8,125         |
| 250,000                 | Ontario 3.15%<br>due June 2, 2022                             | 99.04     | 109.95 | 274,880      | 7,875         |
| 250,000                 | Ontario 2.60%<br>due June 2, 2025                             | 100.15    | 107.07 | 267,683      | 6,500         |
| 350,000                 | British Columbia 2.3%<br>due June 18, 2026                    | 104.40    | 104.97 | 367,385      | 8,050         |
|                         |   |           |        | 1,878,577    | 44,170        |
| <b>CORPORATE BONDS</b>  |   |           |        |              |               |
| 200,000                 | Bank of Nova Scotia Dep. Note 2.1%<br>due November 8, 2016    | 100.32    | 100.11 | 200,218      | 4,200         |
| 200,000                 | Toronto Dominion Bank Dep. Note 2.433%<br>due August 15, 2017 | 100.73    | 101.23 | 202,466      | 4,866         |
| 200,000                 | Royal Bank Dep. Note 2.26%<br>due March 12, 2018              | 99.28     | 101.53 | 203,054      | 4,520         |
| 200,000                 | Wells Fargo Canada 2.944%<br>due July 25, 2019                | 100.02    | 104.11 | 208,228      | 5,888         |
| 300,000                 | Bank of Montreal 2.84%<br>due June 4, 2020                    | 101.77    | 105.10 | 315,303      | 8,520         |
| 250,000                 | Toronto Dominion Bank Dep. Note 2.563%<br>due June 24, 2020   | 104.57    | 104.13 | 260,323      | 6,408         |

Martin, Lucas & Seagram Ltd.

***CLLAS - LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***

**Portfolio Holdings at September 30, 2016**

| <b>Quantity</b>        | <b>Security</b>                             | <b>Unit<br/>Cost</b> | <b>Price</b> | <b>Market<br/>Value</b> | <b>Annual<br/>Income</b> |
|------------------------|---|----------------------|--------------|-------------------------|--------------------------|
| 200,000                | Bank of Montreal 3.4%<br>due April 23, 2021 | 100.65               | 108.36       | 216,714                 | 6,800                    |
| 150,000                | Wells Fargo 3.46%<br>due January 24, 2023   | 102.36               | 108.67       | 163,007                 | 5,190                    |
|                        |   |                      |              | <hr/> 1,769,312         | <hr/> 46,392             |
| <b>TOTAL PORTFOLIO</b> |   |                      |              | <b>4,890,611</b>        | <b>114,862</b>           |

**Disclosures:**

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an \*, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - LONG TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
*From 07-01-16 To 09-30-16*

| <b>Trade<br/>Date</b> | <b>Settle<br/>Date</b> | <b>Quantity</b> | <b>Security</b>                            | <b>Unit<br/>Price</b> | <b>Amount</b>     |
|-----------------------|------------------------|-----------------|--|-----------------------|-------------------|
| <b>PURCHASES</b>      |                        |                 |  |                       |                   |
| 09-02-16              | 09-08-16               | 350,000         | British Columbia 2.3%<br>due June 18, 2026 | 104.40                | 365,400.00        |
|                       |                        |                 |  |                       | <b>365,400.00</b> |
| <b>SALES</b>          |                        |                 |  |                       |                   |
| 09-01-16              | 09-01-16               | 300,000         | Alberta 1.85%<br>due September 1, 2016     | 100.00                | 300,000.00        |
|                       |                        |                 |  |                       | <b>300,000.00</b> |

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Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 07-01-16 to 09-30-16*

|   |                  |                   |             |
|---|------------------|-------------------|-------------|
| Cash Balance at July 1, 2016              |                  |                   | 0.00        |
| ADD: Proceeds from Bond Sale              | 300,000.00       |                   |             |
| Transfer from Short Term Investment Fund  | <u>67,208.49</u> | <u>367,208.49</u> |             |
| LESS: Cost of Purchase                    | 365,400.00       |                   |             |
| Accrued Bond Interest on Purchase         | <u>1,808.49</u>  | <u>367,208.49</u> |             |
| <b>Cash Balance at September 30, 2016</b> |                  |                   | <b>0.00</b> |

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
From 06-30-16 to 09-30-16

| Security   | 06-30-16<br>Market Value | Additions<br>Withdrawals | 09-30-16<br>Market Value | 09-30-16<br>Cost Basis | Realized Gain or Loss |             | Unrealized Gain or Loss |               |
|--|--------------------------|--------------------------|--------------------------|------------------------|-----------------------|-------------|-------------------------|---------------|
|  |                          |                          |                          |                        | Cost                  | Market      | Cost                    | Market        |
| <b>CASH</b>  |                          |                          |                          |                        |                       |             |                         |               |
| Cash Account   | 0                        | 0                        | 0                        | 0                      |                       |             |                         |               |
| <b>GOVERNMENT BONDS</b>  |                          |                          |                          |                        |                       |             |                         |               |
| Canada Housing Trust 1.85%<br>Series 43<br>due December 15, 2016 | 301,701                  | 0                        | 300,750                  | 303,900                | 0                     | 0           | -3,150                  | -951          |
| Canada Housing Trust 1.75%<br>due June 15, 2018                  | 255,090                  | 0                        | 254,635                  | 250,275                | 0                     | 0           | 4,360                   | -455          |
| Canada Housing Trust 1.95%<br>due June 15, 2019                  | 258,245                  | 0                        | 257,963                  | 250,238                | 0                     | 0           | 7,725                   | -283          |
| Canada Housing Trust 2.4%<br>Series 48<br>due December 15, 2022  | 214,870                  | 0                        | 214,644                  | 200,740                | 0                     | 0           | 13,904                  | -226          |
| Canada Housing Trust 2.35%<br>due September 15, 2023             | 214,476                  | -2,350                   | 214,730                  | 211,240                | 0                     | 0           | 3,490                   | 254           |
| <b>GOVERNMENT BONDS<br/>Total</b>                                | <u>1,244,382</u>         |                          | <u>1,242,722</u>         | <u>1,216,393</u>       | <u>0</u>              | <u>0</u>    | <u>26,329</u>           | <u>-1,661</u> |
| <b>PROVINCIAL BONDS</b>  |                          |                          |                          |                        |                       |             |                         |               |
| Alberta 1.85%<br>due September 1, 2016                           | 300,543                  | -302,775                 | 0                        | 0                      | -4,050                | -543        | 0                       | 0             |
| Ontario 1.90%<br>due September 8, 2017                           | 334,613                  | -3,135                   | 333,848                  | 330,594                | 0                     | 0           | 3,254                   | -766          |
| Ontario 2.1%<br>due September 8, 2018                            | 359,293                  | -3,675                   | 358,715                  | 348,495                | 0                     | 0           | 10,220                  | -578          |
| British Columbia 3.25%<br>due December 18, 2021                  | 276,385                  | 0                        | 276,068                  | 255,750                | 0                     | 0           | 20,318                  | -318          |
| Ontario 3.15%<br>due June 2, 2022                                | 274,983                  | 0                        | 274,880                  | 247,600                | 0                     | 0           | 27,280                  | -103          |
| Ontario 2.60%<br>due June 2, 2025                                | 265,780                  | 0                        | 267,683                  | 250,375                | 0                     | 0           | 17,308                  | 1,903         |
| British Columbia 2.3%<br>due June 18, 2026                       | 0                        | 367,208                  | 367,385                  | 365,400                | 0                     | 0           | 1,985                   | 1,985         |
| <b>PROVINCIAL BONDS Total</b>                                    | <u>1,811,596</u>         |                          | <u>1,878,577</u>         | <u>1,798,214</u>       | <u>-4,050</u>         | <u>-543</u> | <u>80,363</u>           | <u>2,124</u>  |
| <b>CORPORATE BONDS</b>   |                          |                          |                          |                        |                       |             |                         |               |
| Bank of Nova Scotia Dep.<br>Note 2.1%<br>due November 8, 2016    | 200,756                  | 0                        | 200,218                  | 200,640                | 0                     | 0           | -422                    | -538          |
| Toronto Dominion Bank Dep.<br>Note 2.433%<br>due August 15, 2017 | 202,906                  | -2,433                   | 202,466                  | 201,460                | 0                     | 0           | 1,006                   | -440          |
| Royal Bank Dep. Note 2.26%<br>due March 12, 2018                 | 203,298                  | -2,260                   | 203,054                  | 198,560                | 0                     | 0           | 4,494                   | -244          |
| Wells Fargo Canada 2.944%<br>due July 25, 2019                   | 208,648                  | -2,944                   | 208,228                  | 200,040                | 0                     | 0           | 8,188                   | -420          |
| Bank of Montreal 2.84%<br>due June 4, 2020                       | 315,354                  | 0                        | 315,303                  | 305,307                | 0                     | 0           | 9,996                   | -51           |
| Toronto Dominion Bank Dep.<br>Note 2.563%<br>due June 24, 2020   | 260,040                  | 0                        | 260,323                  | 261,425                | 0                     | 0           | -1,103                  | 283           |
| Bank of Montreal 3.4%<br>due April 23, 2021                      | 216,680                  | 0                        | 216,714                  | 201,300                | 0                     | 0           | 15,414                  | 34            |
| Wells Fargo 3.46%<br>due January 24, 2023                        | 163,839                  | -2,595                   | 163,007                  | 153,542                | 0                     | 0           | 9,465                   | -833          |
| <b>CORPORATE BONDS Total</b>                                     | <u>1,771,521</u>         |                          | <u>1,769,312</u>         | <u>1,722,274</u>       | <u>0</u>              | <u>0</u>    | <u>47,039</u>           | <u>-2,209</u> |

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
*(RBC Investor Services)*  
*From 06-30-16 to 09-30-16*

| <u>Security</u>                        | <u>06-30-16<br/>Market Value</u> | <u>Additions<br/>Withdrawals</u> | <u>09-30-16<br/>Market Value</u> | <u>09-30-16<br/>Cost Basis</u> | <u>Realized Gain or Loss</u> |               | <u>Unrealized Gain or Loss</u> |               |
|--|----------------------------------|----------------------------------|----------------------------------|--------------------------------|------------------------------|---------------|--------------------------------|---------------|
|  |                                  |                                  |                                  |                                | <u>Cost</u>                  | <u>Market</u> | <u>Cost</u>                    | <u>Market</u> |
| <b>TOTAL PORTFOLIO</b>                 | 4,827,499                        |                                  | 4,890,611                        | 4,736,880                      | -4,050                       | -543          | 153,731                        | -1,746        |
| <b>TOTAL DATE TO DATE GAIN OR LOSS</b> |                                  |                                  |                                  |                                |                              |               |                                | -2,289        |
| <b>% CHANGE DURING PERIOD</b>          |                                  |                                  |                                  |                                |                              |               |                                | -0,05         |

