LET RIGHT PREVAIL

The Law Society of Upper Canada | Barreau du Haut-Canada

2008 Annual Report Financial Statements

MAINTAIN HIGH STANDARDS AND ENSURE EFFECTIVE COMPETENCE

PROFESSIONAL REGULATION

ACCESS TO JUSTICE

DIVERSITY WITHIN THE LEGAL PROFESSION

SMALL FIRMS AND SOLE PRACTITIONERS

PARALEGAL REGULATION

STRATEGIC COMMUNICATIONS

GOVERNANCE STRUCTURE

THE LAW SOCIETY OF UPPER CANADA

Annual General Meeting, 2009

Wednesday, May 13, 2009

at 5:15 p.m.

Osgoode Hall, Toronto

ORDER OF BUSINESS

- Minutes of the previous Annual General Meeting
- Report of the work of the Society and the committees of Convocation
- Presentation of the audited financial sta ements
- Matters of professional interest that are related to the work of the Society

THE LAW SOCIETY OF UPPER CANADA

Financial Statements

Contents

GENERAL FUND

Management Discussion and Analysis

DRAFT

The Society's General Fund is composed of a number of funds included in these financial statements. The Unrestricted Fund is the Society's operating fund representing the bulk of its revenues and expenses related to the licensing and regulation of lawyers and paralegals. There are a number of special purpose funds restricted by Convocation. These are the Capital Allocation, Invested in Capital Assets, County Libraries, Special Projects, Repayable Allowance, Endowment and the Working Capital Reserve funds.

Separate financial statements are prepared for the Compensation Fund, LibraryCo Inc. and the Combined Errors and Omissions Insurance Fund. In addition, a separate Performance Highlights section of the Annual Report provides greater qualitative analysis of progress towards the priorities of Convocation.

Results of Operations

A summary of revenues, expenses and surplus for the Society's General Fund is set out below. Further detailed discussion and analysis of operations follow this summary.

General Fund Summary

	2008 $000s		2007 $000s
Total revenues	72,738	• $57.7 million unrestricted fund revenue – lawyers • $4.8 million unrestricted fund revenue – paralegals • $10.3 million restricted funds	65,697
Expenses (Total expenses net of expenses allocated to Compensation Fund)	68,800	• $54.4 million unrestricted fund expenses – lawyers • $2.7 million unrestricted fund expenses – paralegals • $11.7 million restricted funds expenses	66,087
Surplus (deficit) for the year	3,938	• $3.2 million – lawyers • $2.1 million – paralegals • ($1.4 million) restricted funds	(390)

Balance Sheet

Cash and short-term investments

Cash and short-term investments of $22.4 million have increased by $2.2 million from 2007 in line with the surplus for the year and paralegal receipts, offset by the reduction in total liabilities.

Portfolio investments

Portfolio, or long-term, investments increased slightly to $10.8 million from $10.5 million and comprise North American equities (16%) and Canadian fixed income investments (84%). The portfolio is managed in compliance with the General Fund's investment policy. Fixed income investments include a diversified mix of government, provincial and corporate bonds with an investment rating of "BBB" or better. Equity investments include a diversified mix of equities listed on the major U.S. and Canadian stock exchanges.

Capital assets

Capital assets are recorded at cost and amortized over their useful lives according to the Society's capital asset policy. Capital asset additions are typically financed from the Society's Capital Allocation Fund.

The decrease in capital assets from $21.5 million to $19.5 million reflects the accumulated amortization for the period offset by $1.1 million in additions, for projects such as upgrading the barristers' lounge area, various mechanical and electrical upgrades, as well as software upgrades.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are largely related to amounts due but not yet paid for regulation costs such as counsel fees, accrued payroll charges and licensing process administration. The total has decreased from $6.6 million in 2007 to $6.5 million in 2008. During the year, a legal claim was settled allowing for the release of the related provision.

Deferred revenue

Deferred revenue, representing fees paid in advance, has decreased from $8.9 million to $6.1 million. The balance is made up of $5.6 million in 2009 lawyer fee revenue and $500,000 in 2009 paralegal fee revenue. The timing of these remittances from members does not follow a pattern.

Unclaimed trust funds

Unclaimed trust funds continue to increase, reaching $1.8 million in 2008 (2007 – $1.7 million). These are trust monies turned over to the Society by lawyers who are unable to locate or identify the clients to whom the monies are owed. In 2008, the Society returned just over $28,000 to three claimants. By statute, the Society administers the unclaimed trust funds, in perpetuity, and is entitled to reimbursement for administrative expenses to a limit of the annual income earned on funds held. Net income, if any, is available for transfer to the Law Foundation of Ontario. To date, administrative expenses have exceeded income and no transfers to the Law Foundation of Ontario have been made.

Other trust funds

Included in the notes to the financial statements, but not the balance sheet, is a reference to other trust funds held by the Society. The Society administers client funds for lawyers under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the balance sheet as they are held temporarily and with a restricted administrative mandate. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. At the end of 2008, total funds held in trust amounted to $2.5 million (2007 – $1.2 million). The volume and value of balances depend on trusteeships at the time.

Statement of Revenues and Expenses

Revenues

Annual fees have increased from $44.1 million in 2007 to $47.7 million in 2008. The number of lawyers increased by approximately 980 and the lawyer fee increased by $52 to $1,653 per lawyer. 2008 was the first year of paralegal licensing and approximately 2,300 paralegal licences were issued over the course of the year.

The major components of professional development and competence ("PD&C") revenues are the lawyer and paralegal licensing process and post-call education ("CLE") programs for lawyers. The main reason for the increase in total PD&C revenues from $10.8 million to $14.6 million was $2.8 million in fees attributable to the initial influx of grandparented paralegal entrants and subsequent entrants to the paralegal licensing process. Registration revenue for CLE increased by 15% with attendance increasing from 17,000 CLE attendees in 2007 to 18,600 in 2008, although there were more reduced-fee programs in 2008. Total fees for the lawyer licensing process increased by 16% with enrolment up from 1,476 in 2007 to 1,516 lawyer candidates in 2008, and the licensing fee up from $2,750 to $2,940 per lawyer candidate.

Included in investment income is a $3.75 million (2007 – $3.25 million) transfer of surplus investment income from the Errors and Omissions Insurance Fund, increasing total investment income to $4.8 million from $4.4 million. Investment income for the year is analyzed below:

	2008	2007
Interest and dividends	$1,248,000	$1,414,000
Realized capital gains	38,000	181,000
Unrealized capital losses	(215,000)	(414,000)
Excess investment income transferred from the E&O Insurance Fund	3,750,000	3,250,000
Total	**$4,821,000**	**$4,431,000**

The significant weighting of our investments towards fixed income securities, shorter durations and unrealized currency gains arising from the depreciation in the Canadian dollar, has limited the effects of the current financial turmoil on the General Fund.

Returns on the Fund's portfolio investments are set out below:

Investment Type	% of Portfolio	One Year Actual Return 2008	One Year Benchmark Return 2008	One Year Actual Return 2007
Fixed Income	84	7.3%	8.6%	4%
Canadian Equities	9	(31.1%)	(33.0%)	4%
U.S. Equities	7	(25.4%)	(21.9%)	(17%)
Total Fund	**100**	**2.9%**	**3.3%**	**2%**

Other revenues have decreased from $6.4 million to $5.5 million as one-time CanLII funding of $1.2 million from the Law Foundation in 2007 was not repeated. Also in other revenues are a variety of items such as Lawyer Referral Service fees, Ontario Reports royalties, catering revenues, litigation and enforcement cost recoveries, charges for fee payment plans and other miscellaneous revenues.

Expenses

Total net expenses of $68.8 million have increased from $66.1 million in 2007, with increases generally spread across most departments as discussed below.

Professional regulation expenses

Professional regulation expenses increased from $15.6 million in 2007 to $16.5 million in 2008. The increase is due to increased budgeted expenditures across the regulatory division. The overall increase was reduced by a year-over-year decline of approximately $1 million in counsel fee expenditures.

Professional development and competence expenses

Professional development and competence expenses of $15.9 million (2007 – $15.1 million) increased marginally in areas such as Practice Review, post-call education, Library and Spot Audit. There were reductions in exam and course administration expenditures within the licensing process.

Administrative expenses

Administrative expenses of $8.6 million, increased from $8.2 million in 2007, comprise Finance, Information Systems and Human Resources departmental expenses. The increase was spread across all three areas as operations of the Law Society were enhanced and services expanded in line with the cumulative increase in members over recent years.

Other expenses

Other expenses include bencher-related payments, payments to the Federation of Law Societies and the virtual reference library CANLII, insurance and audit fees, catering costs, payments to the County & District Law Presidents' Association, the Ontario Lawyers Assistance Program, Pro Bono Law Ontario, the Ontario Law Commission, severance payments and other miscellaneous expenses of the Society. These other expenses have increased to $6.6 million from $6.2 million in 2007.

Client Service Centre ("CSC")

2008 was the first year for the new Corporate Training department in the CSC. The increase in expenses in the CSC from $4.6 million in 2007 to $5.2 million in 2008 was also attributable to the increased volumes of activity, particularly in Complaints Services.

Capital Allocation Fund

Expenses in the Capital Allocation Fund have decreased from $1.6 million to $714,000 as the 2007 amount included a repayment of $600,000 to the Law Foundation of Ontario based on the sale of the Society's Ottawa property.

County Libraries Fund

In 2008, the county library levy increased by 5% resulting in the increased expenses from $7.2 million in 2007 to $7.7 million in 2008.

Statement of Changes in Fund Balances

Unrestricted Fund

In addition to the previous discussion on operational revenues and expenses, there were several interfund transfers between the Unrestricted Fund and the Society's restricted funds.

- Convocation approved the transfer of $2.7 million from the Unrestricted Fund to the Working Capital Reserve to raise the Working Capital Reserve balance to $10.7 million, approximately equivalent to two months' operating expenses for the Law Society.
- The transfer to the Repayable Allowance Fund of $100,000 is an annual transfer of funds raised through the lawyers' licensing process to provide funding for repayable allowances.
- The transfer of $63,000 from the Unrestricted Fund to the County Libraries Fund offsets the deficit generated by fee revenue not achieving budget as a result of fewer full fee paying equivalent lawyers than budgeted.

The Unrestricted Fund balance is now $5.2 million – $4 million in the lawyers' fund and $1.2 million in the paralegals' fund. A portion of this accumulated balance, $1.2 million – $1.1 million for lawyers and $100,000 for paralegals – has been earmarked for the reduction of annual fees in 2009. The unutilized balance in the paralegal fund is available to provide for contingencies related to paralegal regulation. The 2009 budget includes an additional transfer of $1.7 million from the Working Capital Reserve, also to reduce lawyer annual fees, although this full amount may not be required to balance revenues and expenditures.

Restricted Funds

The **Capital Allocation Fund** is the funding source for approved capital projects. The fund is augmented on an annual basis by a portion of members' fees ($75 in 2008, unchanged for seven years) dedicated to capital funding. The fund increased from $3.9 million to $4.8 million during the year. Expenditures capitalized and reported as capital assets are maintained in the **Invested in Capital Assets Fund** which has decreased to $19.5 million as amortization for the year exceeded the value of assets capitalized.

In 2008, the $7.7 million in **County Libraries** expenses show a small increase from previous years. The Society levied $235 per lawyer, an increase of 5%, then collected and remitted these funds for county library purposes to LibraryCo Inc.

The **Working Capital Reserve** of $10.7 million increased by $2.7 million during the year. Convocation approved the transfer of $2.7 million from the Unrestricted Fund Balance to the Working Capital Reserve to increase the Working Capital Reserve to an amount approximately equal to two months' operating expenses. As part of the 2009 budget process, $1.7 million was to be appropriated from this reserve to mitigate the increase in the annual fee for lawyers. The actual results of operations for 2008, and the larger than expected surplus may negate the need for this transfer. The results of operations in 2009 will dictate the outcome of this budgeted transfer.

Other Restricted Funds

Included in other restricted funds are the Repayable Allowance, Special Projects and the Endowment Funds.

In 2008, the Law Society's **Repayable Allowance** program provided $98,000 to 33 students (2007 – $83,000 to 30 students).

The Society administers the **J. Shirley Denison Endowment Fund** established to provide relief and assistance to lawyers, students and former members. During the year, $43,000 was paid to 13 applicants (2007 – $47,000 to 11 applicants).

The **Special Projects Fund** is maintained to ensure that financing is available for ongoing projects that have been approved, funded but not completed in the fiscal year. The 2008 year-end balance was $159,000 primarily to fund the Retention of Women in Private Practice initiative, the Governance Task Force and the Licensing and Accreditation Task Force.

GENERAL FUND

Auditors' Report

To the Members of The Law Society of Upper Canada

We have audited the balance sheet of The Law Society of Upper Canada – General Fund as at December 31, 2008 and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statement present fairly, in all material respects, the financial position of the General Fund as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 20, 2009

GENERAL FUND

Balance Sheet

Stated in thousands of dollars
As at December 31

	2008	2007
Assets		
Current assets		
Cash	**6,550**	6,059
Short-term investments	**15,848**	14,106
Cash and short-term investments	**22,398**	20,165
Accounts receivable (note 1)	**1,772**	1,400
Prepaid expenses	**549**	266
Total current assets	**24,719**	21,831
Portfolio investments (note 3)	**10,785**	10,488
Capital assets (note 4)	**19,490**	21,505
Total Assets	**54,994**	53,824
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	**6,522**	6,628
Deferred revenue	**6,130**	8,937
Total current liabilities	**12,652**	15,565
Unclaimed trust funds (note 5)	**1,796**	1,651
Total Liabilities	**14,448**	17,216
Fund Balances		
Unrestricted fund	**5,199**	2,716
Restricted funds		
Capital allocation	**4,772**	3,917
Invested in capital assets	**19,490**	21,505
Other restricted funds	**410**	495
Working capital reserve	**10,675**	7,975
Total Fund Balances	**40,546**	36,608
Total Liabilities and Fund Balances	**54,994**	53,824

See accompanying notes

On behalf of Convocation

Treasurer

Chair of Audit Committee

GENERAL FUND

Statement of Revenues and Expenses

Stated in thousands of dollars for the year ended December 31

	2008			2007		
	Unrestricted fund	**Restricted funds**	**Total**	Unrestricted fund	Restricted funds	Total
Revenues						
Annual fees	**37,575**	**10,167**	**47,742**	34,662	9,404	44,066
Professional development and competence	**14,643**	**–**	**14,643**	10,824	–	10,824
Investment income (note 2)	**4,814**	**7**	**4,821**	4,421	10	4,431
Other (note 7)	**5,405**	**127**	**5,532**	6,233	143	6,376
Total revenues	**62,437**	**10,301**	**72,738**	56,140	9,557	65,697
Expenses						
Professional regulation	**16,535**	**–**	**16,535**	15,620	–	15,620
Professional development and competence	**15,854**	**–**	**15,854**	15,170	–	15,170
Administrative	**8,583**	**–**	**8,583**	8,226	–	8,226
Other (note 8)	**6,596**	**–**	**6,596**	6,215	–	6,215
Client service centre	**5,202**	**–**	**5,202**	4,605	–	4,605
Facilities	**3,796**	**–**	**3,796**	3,717	–	3,717
Policy and legal services	**2,120**	**–**	**2,120**	2,023	–	2,023
Communications	**1,376**	**–**	**1,376**	1,190	–	1,190
Equity	**970**	**–**	**970**	814	–	814
Tribunals	**859**	**–**	**859**	747	–	747
Capital allocation fund	**–**	**714**	**714**	–	1,628	1,628
Invested in capital assets – amortization	**–**	**3,112**	**3,112**	–	3,113	3,113
County libraries fund	**–**	**7,691**	**7,691**	–	7,164	7,164
Other restricted funds	**–**	**141**	**141**	–	137	137
Total expenses	**61,891**	**11,658**	**73,549**	58,327	12,042	70,369
Less: Expenses allocated to Compensation Fund (note 1)	**(4,749)**	**–**	**(4,749)**	(4,282)	–	(4,282)
Net expenses	**57,142**	**11,658**	**68,800**	54,045	12,042	66,087
Surplus (deficit)	**5,295**	**(1,357)**	**3,938**	2,095	(2,485)	(390)

See accompanying notes

GENERAL FUND

Statement of Changes in Fund Balances

Stated in thousands of dollars for the year ended December 31

	2008										2007
	UNRESTRICTED FUNDS			RESTRICTED FUNDS							
	Lawyers	Paralegals	Total unrestricted fund	Capital allocation	Invested in capital assets	County libraries	Other restricted	Working capital reserve	Total restricted funds	Total	Total
Fund balances, beginning of year	3,538	(822)	2,716	3,917	21,505	–	495	7,975	33,892	36,608	36,998
Revenues	57,660	4,777	62,437	2,666	–	7,628	7	–	10,301	72,738	65,697
Expenses	54,436	2,706	57,142	714	3,112	7,691	141	–	11,658	68,800	66,087
Surplus (deficit)	3,224	2,071	5,295	1,952	(3,112)	(63)	(134)	–	(1,357)	3,938	(390)
Interfund transfers											
Working capital reserve	(2,700)	–	(2,700)	–	–	–	–	2,700	2,700	–	–
Asset capitalization	–	–	–	(1,097)	1,097	–	–	–	–	–	–
County libraries	(63)	–	(63)	–	–	63	–	–	63	–	–
Repayable allowance	(100)	–	(100)	–	–	–	100	–	100	–	–
Special projects	51	–	51	–	–	–	(51)	–	(51)	–	–
Total interfund transfers	(2,812)	–	(2,812)	(1,097)	1,097	63	49	2,700	2,812	–	–
Fund balances, end of year	3,950	1,249	5,199	4,772	19,490	–	410	10,675	35,347	40,546	36,608

See accompanying notes

GENERAL FUND

Statement of Cash Flows

Stated in thousands of dollars for the year ended December 31

	2008	2007
Net inflow (outflow) of cash related to the following activities		
Operating		
General fund surplus (deficit)	**3,938**	(390)
Item not affecting cash:		
Amortization of capital assets	**3,112**	3,113
	7,050	2,723
Net change in non-cash operating items:		
Accounts receivable	**(372)**	246
Prepaid expenses	**(283)**	(70)
Accounts payable and accrued liabilities	**(106)**	633
Deferred revenue	**(2,807)**	3,419
Fund contribution – unclaimed trusts	**145**	235
Cash from operating activities	**3,627**	7,186
Investing		
Portfolio investments (net)	**(297)**	(737)
Short-term investments (net)	**(1,742)**	(2,838)
Capital asset additions	**(1,097)**	(1,738)
Unrealized gain on investments, beginning of year	**–**	249
Cash used in investing activities	**(3,136)**	(5,064)
Net inflow of cash, during the year	**491**	2,122
Cash, beginning of year	**6,059**	3,937
Cash, end of year	**6,550**	6,059

See accompanying notes

GENERAL FUND

Notes to Financial Statements

Stated in whole dollars except where indicated
For the year ended December 31, 2008

1. Background

The Law Society of Upper Canada (the "Society") was founded in 1797 and incorporated in 1822 with the enactment of the *Law Society Act*. The *Law Society Act* was amended by the *Access to Justice Act* in 2007 to legislate the regulation of paralegals by the Society.

The *Law Society Act,* section 4.1, states that it is the function of the Society to ensure that:

- All persons who practise law in Ontario or provide legal services in Ontario meet standards of learning, professional competence and professional conduct that are appropriate for the legal services they provide; and
- The standards of learning, professional competence and professional conduct for the provision of a particular legal service in a particular area of law apply equally to persons who practise law in Ontario and persons who provide legal services in Ontario.

In carrying out its functions, duties and powers, the Society, pursuant to section 4.2 of the *Law Society Act,* shall have regard to the following principles:

- The Society has a duty to maintain and advance the cause of justice and the rule of law.
- The Society has a duty to act so as to facilitate access to justice for the people of Ontario.
- The Society has a duty to protect the public interest.
- The Society has a duty to act in a timely, open and efficient manner.
- Standards of learning, professional competence and professional conduct for members and restrictions on who may provide particular legal services should be proportionate to the significance of the regulatory objectives sought to be realized.

The governing body of the Society, which is known as Convocation, carries out this mandate. Convocation comprises benchers and the Treasurer who presides over Convocation. At December 31, 2008, the Society had a membership of approximately 40,000 lawyers and 2,300 paralegals. The primary source of revenue is member annual fees, set by Convocation, based on the financial requirements of the restricted and unrestricted funds.

These financial statements present the financial position and operations of the Law Society of Upper Canada – General Fund, which is composed of a number of funds. The Unrestricted Fund, separated between lawyers and paralegals, is the Society's operating fund, representing the majority of its revenues and expenses. There are a number of special purpose funds restricted by Convocation. These are the Capital Allocation, Invested in Capital Assets, County Libraries, Special Projects, Repayable Allowance, Endowment and Working Capital Reserve funds.

The General Fund is not subject to income or capital taxes because it is a fund of the Society, a not-for-profit corporation.

The General Fund financial statements do not purport to present all of the assets and liabilities under the control of the Society. Separate financial statements have been prepared for the following related entities, which have not been consolidated into the General Fund financial statements:

Compensation Fund

The Society maintains the Compensation Fund pursuant to section 51 of the *Law Society Act* to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a member, in connection with the member's professional business or in connection with any trust of which the member was a trustee. The Compensation Fund has separate fund balances for lawyer members and paralegal members. Members' annual fees and investment income finance the Compensation Fund. The Compensation Fund reports fees collected by the General Fund on behalf of the Compensation Fund as revenues. The Compensation Fund reimburses the General Fund for certain administrative expenses, spot audit expense and a portion of the costs of operating the investigation and discipline functions of the Society. In 2008 these amounted to $4,749,000 (2007 – $4,282,000).

Lawyers' Professional Indemnity Company and Errors & Omissions Insurance Fund

The Society provides professional liability insurance to lawyers through the Lawyers' Professional Indemnity Company ("LawPRO") and the Errors and Omissions Insurance Fund ("E&O Fund"). Paralegals obtain this form of coverage through independent insurance companies.

Prior to 1990, the E&O Fund was set up in the Society's accounts to record professional liability insurance and related activities. LawPRO, a wholly owned subsidiary of the Society, was incorporated in 1990 and took over the provision of lawyers' professional liability insurance. LawPRO also provides excess and title insurance.

The E&O Fund provides the General Fund with income derived from its surplus earnings. This income, reported as Investment Income of the General Fund, amounted in 2008 to $3,750,000 (2007 – $3,250,000). LawPRO paid the General Fund $119,000 (2007 – $186,000) primarily for shared information systems and governance costs.

LibraryCo Inc.

LibraryCo Inc. ("LibraryCo"), a wholly owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding on behalf of the Society. LibraryCo was initially incorporated under the *Business Corporations Act* of Ontario in 2001. The Society holds all of the 100 Common shares. Of the 100 Special shares, 25 are held by the Toronto Lawyers Association ("TLA") and 75 by the County and District Law Presidents' Association ("CDLPA"). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director.

The Society levies and collects funds for county and district law library purposes and transfers these funds to LibraryCo. Convocation internally restricts these funds for use by county and district law libraries to carry out their annual operations and any special projects approved by Convocation.

The Society administers the operations of LibraryCo under an administrative services agreement signed in 2007. The total amount billed by the General Fund was $592,000 (2007 – $410,000) for administrative services and certain other services and publications. Included in accounts receivable are amounts due from LibraryCo of $53,000 (2007 – $43,000).

Law Society Foundation

The Law Society Foundation ("LSF"), a registered charity, was incorporated by Letters Patent in 1962. The objectives of the LSF are to foster, encourage and promote legal education in Ontario, provide financial assistance to licensing process candidates in Ontario, restore and preserve land and buildings of historical significance to Canada's legal heritage, receive gifts of muniments and legal memorabilia of interest and significance to Canada's legal heritage, maintain a collection of gifts of books and other written material for use by educational institutions in Canada, receive donations and maintain a fund for the relief of poverty by providing meals to persons in need. The Society provides facilities, administration, accounting, security and certain other services at no cost to the LSF. Trustees of the Foundation are elected by the members of the Foundation. Included in accounts receivable are amounts due from the LSF of $13,219 (2007 – $61,093).

2. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants ("CICA") using the restricted fund method of reporting revenues. The General Fund is composed of Unrestricted Funds for lawyers and paralegals and a number of special purpose funds restricted by Convocation.

Unrestricted Fund

The *Unrestricted Fund* accounts for the Society's program delivery and administrative activities related to the Society's licensing and regulation of lawyers and paralegals. This fund reports unrestricted resources.

Restricted Funds

The *Capital Allocation Fund* is maintained to provide a source of funds for the acquisition and maintenance of the Society's capital assets. These include buildings and major equipment including computers. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. At December 31, 2008 the balance was $4,772,000 (2007 – $3,917,000).

The *Invested in Capital Assets Fund* records transactions related to the Society's capital assets, specifically acquisitions, amortization and disposals. At December 31, 2008 the balance was $19,490,000 (2007 – $21,505,000), representing the net book value of the Society's capital assets at those dates.

The *County Libraries Fund* records transactions related to the Society's support of county law libraries. As approved by Convocation, the fund accumulates fees for county library purposes which are remitted to LibraryCo Inc. At December 31, 2008 the fund balance was nil (2007 – nil).

The *Working Capital Reserve* is maintained to ensure adequate cash reserves for the continuous financing of the General Fund operations for up to two months. At December 31, 2008, the balance was $10,675,000 (2007 – $7,975,000). In 2008, Convocation approved a transfer of $2.7 million from the Unrestricted Fund.

Other Restricted Funds

Reported as Other Restricted Funds are:

The *Repayable Allowance Fund* provides candidates in the licensing process for lawyers with loans for tuition and living expenses. At December 31, 2008, the balance was $71,000 (2007 – $69,000).

The *Endowment Fund*, the J. Shirley Denison Fund, provides relief and assistance to lawyers, candidates in the lawyer licensing process and former lawyers who find themselves in difficult financial circumstances. Contributions for endowments are recognized as revenue in the Endowment Fund. At December 31, 2008, the Endowment Fund balance was $180,000 (2007 – $216,000) and the Society is in compliance with the terms of the endowment.

The *Special Projects Fund* is maintained to ensure that financing is available for ongoing special projects approved by Convocation. The balance at December 31, 2008 was $159,000 (2007 – $210,000).

Financial instruments

Under the standards for recognizing and measuring financial instruments, all financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The General Fund's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Portfolio investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Unclaimed trust funds	Other financial liabilities	Amortized cost

Other amounts noted on the Balance Sheet such as prepaid expenses, capital assets and deferred revenue, are not financial instruments.

The fair value of portfolio investments is determined by reference to published quotations in an active market at year end for fixed income and U.S. equity investments and by reference to transactional net asset value for the Canadian equity pooled fund. Transaction costs are expensed as incurred. The fair value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and unclaimed trust funds approximate their carrying values due to their nature or capacity for prompt liquidation.

Currency risk

The risk that the fair value of financial instruments will fluctuate relative to the Canadian dollar is managed by the investment policy. At year end, 7% of portfolio investments were invested in equities denominated in U.S. dollars (2007 – 6%). Foreign denominated bonds are not permitted, non-North American equities are not permitted and the range for equity holdings is between 5% and 20% of the portfolio. The General Fund has no other significant transactions denominated in a foreign currency.

Interest rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed by the investment policy as such risk arises from the General Fund's interest-bearing investments. The General Fund has no interest-bearing liabilities. An analysis of maturity dates for long-term fixed income securities is set out below.

Maturity	Interest Rate Range	2008 ($000s)	Interest Rate Range	2007 ($000s)
Within 5 years	**3.55% - 7.15%**	**8,008**	4.5% - 7.15%	7,228
Beyond 5 years	**4% - 5.65%**	**1,082**	3.96% - 6.15%	1,946
Total		**9,090**		9,174

Fluctuations in interest rates in cash and short-term investments do not have a significant effect on operations of the Society.

Market risk

The risk that the fair value of financial instruments will fluctuate due to changes in market prices is managed by the General Fund's investment policy which requires a diversified portfolio of government bonds, corporate bonds, and Canadian and U.S. equities meeting specified quality requirements as presented in Note 3.

Credit risk

Credit risk is the possibility that other parties may default on their financial obligations. At year end, the maximum exposure of the General Fund to credit risk in cash and short-and long-term fixed income investments was $31,488,000 (2007 – $29,339,000). In compliance with the investment policy, fixed income investments are in the financial obligations of governments, major financial institutions and commercial paper with investment grade ratings.

At year end, the maximum exposure of the General Fund to credit risk in accounts receivable was $1,772,000 (2007 – $1,400,000). This credit risk is minimized by credit quality, for instance nearly half the balance is due from the Law Foundation of Ontario, and the diverse debtor base for the balance. The General Fund maintains an allowance for potential credit losses and losses in prior years have been within management expectations.

Liquidity risk

Liquidity risk is the risk the General Fund will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The General Fund monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the General Fund, and all long-term securities are listed on the Toronto or New York stock exchanges.

The General Fund has not entered into any derivative transactions. In addition, the General Fund's contractual arrangements do not have any embedded features.

Cash and short-term investments

Cash (bank balances) and short-term investments (less than one year) are amounts on deposit and invested in short-term investment vehicles according to the General Fund's investment policy. They are subject to insignificant risk of a change in value. Investment income, except income earned on resources held for endowment, is retained in and reported by the Unrestricted Fund.

Portfolio investments

Portfolio investments are categorized as held for trading and are recorded at fair value. The General Fund manages financial risk associated with portfolio investments in accordance with its investment policy. The primary objective of the investment policy is to preserve and enhance the real capital base. The secondary objective is to generate investment returns to assist the General Fund in funding its programs. Convocation monitors compliance with the investment policy and regularly reviews the policy. The General Fund does not use derivative financial instruments to manage risk.

The total amount of the unrealized reduction in the fair value of portfolio investments recognized as a reduction of investment income for the year is $215,000 (2007 – $414,000).

Capital assets

Assets are capitalized and subject to amortization when they are determined to have a minimum useful life of three years and an acquisition cost of $10,000 for equipment, furniture and computers, $25,000 for computer software and building improvements. Capital assets are presented at cost net of accumulated amortization. For purposes of calculating the first year's amortization, all capital assets are deemed to be acquired, put into service, or completed on July 1. Amortization is charged to expenses on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Building improvements	10 years
Furniture, equipment and computer hardware and software	3 to 5 years

Revenue recognition

Member fees are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Accordingly, fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year.

Professional development and competence, and other revenues and realized investment income / losses are recognized when receivable if the amount can be reasonably estimated. Unrealized investment gains / losses are recognized with changes in the fair value of financial instruments.

Collections

The General Fund owns a collection of legal research and reference material, as well as a collection of portraits and sculptures. The cost of additions to the collections is expensed as incurred. No value is recorded in these financial statements for donated items.

Volunteer services

Convocation, consisting of the Treasurer and benchers, governs the Society. Benchers may be elected by lawyers, appointed by the provincial government or have ex-officio status by virtue of their office or past service as elected benchers or Treasurers. In addition, the provincial government appointed five paralegals to the Paralegal Standing Committee, two of whom are also benchers. The province remunerates the appointed individuals. Elected and ex-officio benchers are only eligible for remuneration after contributing 26 days of voluntary time. The work of the Society is also dependent on other voluntary services by lawyers and paralegals. No value has been included in these financial statements for volunteer services.

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Portfolio Investments

($000s)	**2008**	2007
Debt securities	**9,090**	9,174
Canadian equities	**925**	660
United States equities	**770**	654
	10,785	10,488

4. Capital Assets

($000s)	**2008** Cost	**2008** Accumulated Amortization	**2008** Net	2007 Net
Land and buildings	**25,395**	**18,318**	**7,077**	7,627
Building improvements	**19,434**	**7,704**	**11,730**	12,824
Furniture, equipment and computer hardware and software	**6,324**	**5,641**	**683**	1,054
	51,153	**31,663**	**19,490**	21,505

5. Unclaimed Trust Funds

Section 59.6 of the *Law Society Act* permits a member who has held money in trust for or on account of a person for a period of at least two years to apply in accordance with the by-laws for permission to pay the money to the Society. Money paid to the Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are entitled to the capital amount. Subject to certain provisions in the Act enabling the General Fund to recover its expenses associated with maintaining these funds, net income from the money held in trust shall be paid to the Law Foundation of Ontario. Unclaimed money held in trust amounted to $1,796,000 (2007 – $1,651,000).

6. Other Trust Funds

The Society administers client funds for members under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. At December 31, 2008, total funds held in trust amounted to $2,492,000 (2007 – $1,164,000).

7. Other Revenue

Included in other revenue is income from the Ontario Reports, catering, the Lawyer Referral Service, specialist certification and other miscellaneous revenues.

8. Other Expenses

Included in other expenses are payments to the Federation of Law Societies, County and District Law Presidents' Association, insurance, professional fees, termination payments, catering, other corporate expenses and governance related disbursements. The total remuneration of elected and ex-officio benchers during the year was $355,000 (2007 – $357,000). The Treasurer's honorarium for the year was $101,000 (2007 – $99,000). The total value of bencher expenses reimbursed was $669,000 (2007 – $572,000).

9. Pension Plan

The Society maintains a defined contribution plan for all eligible employees of the Society. Each member of the plan, other than designated employees, can elect to contribute matching employee and employer contributions from 1% to 6% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. Designated employees, who hold executive positions, have contributions made to the plan by the Society equivalent to 12% of annual earnings. The General Fund pension expense in 2008 amounted to $1,622,000 (2007 – $1,443,000).

10. Commitments

The Society is committed to monthly lease payments for property under leases having various terms up to April 2010. Aggregate minimum annual payments to the expiry of the leases are as follows:

2009	$651,000
2010	220,000
Total	$871,000

In 2007, the Society made a commitment in the amount of $100,000 spread equally over 2007, 2008 and 2009 to the Ontario Gardens of Justice to support the sculpture collection. The Society also made a five-year commitment, commencing in 2007, in the annual amount of $100,000, to the Ontario Law Commission to support its operations.

11. Contingent Liabilities

A number of claims or potential claims are pending against the Society. It is not possible for the Society to predict with any certainty the outcomes of such claims or potential claims. Management is of the opinion, based on the information presently available, that it is unlikely any liability, to the extent not covered by insurance or inclusion in the financial statements, would be material to the Fund's financial position.

12. Guarantees

In the normal course of business, the Society has entered into agreements that meet the definition of a guarantee, including indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. Under the terms of these agreements, the Society agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

The Society has also provided indemnification to all directors and officers of the Society. Under Section 9 of the *Law Society Act*:

> No action or other proceedings for damages shall be instituted against the Treasurer or any bencher, official of the Society or person appointed in Convocation for any act done in good faith in the performance or intended performance of any duty or in the exercise or in the intended exercise of any power under this Act, a regulation, a by-law or a rule of practice and procedure, or for any neglect or default in the performance or exercise in good faith of any such duty or power.

Notwithstanding Section 9, the Society has also purchased errors and omissions insurance for past and present officers, employees, committee members, benchers, agents and volunteers acting on behalf of the Society, its subsidiaries and affiliates, to mitigate the cost of any potential suit or action. No estimate of the maximum exposure under these indemnifications can be made but historically the Society has not made any significant payments under such or similar indemnification agreements. Therefore, no amount has been accrued in the financial statements with respect to these agreements.

13. Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.

COMPENSATION FUND

Management Discussion and Analysis

The Compensation Fund (“the Fund”) is maintained by the Law Society, in accordance with the *Law Society Act,* to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a member. With paralegal regulation added to the Society’s mandate in May 2007, the Fund permits members of the public to seek compensation from the Society as a result of dishonesty by licensed lawyers and paralegals.

The first licences for paralegals were issued in March 2008. The revenues and expenses related to paralegals have been segregated from those of lawyers in order to maintain separate funding pools to satisfy claims arising from each group without using the funds provided by each to satisfy claims and expenses of the other. This is accomplished by segregating the Fund Balance between lawyers and paralegals on the Balance Sheet and by segregating revenues and expenses on the Statement of Revenues and Expenses and Changes in Fund Balances.

The Fund is financed by annual fees, approved on an annual basis by Convocation, and by investment income.

Results of Operations

The Fund continues to maintain significant fund balances totaling $19.9 million although a deficit was sustained from operations for the year. The lawyer pool had a deficit of $1.6 million (2007 – a surplus of $907,000) and in its first year of operation the paralegal pool had a surplus of $7,000.

The deterioration to a deficit in the lawyer pool is primarily due to the increase in the reserve for unpaid grants of $1.9 million. The variation in the components of the net grant expense is discussed below. Other non-grant expenses are relatively consistent between 2008 and 2007.

Total fund balances at the end of 2008 are $19.9 million, slightly reduced from $21.4 million at the same time last year.

Balance Sheet

Cash and short-term investments

The Compensation Fund’s short-term investments, which together with cash total $7.9 million, are invested in banker’s acceptances. Under the Fund’s investment policy, permitted short-term investments include banker’s acceptances and Government of Canada T-bills.

Portfolio investments

Portfolio, or long-term, investments of $23.7 million, compared to $23.5 million in 2007, are made up of Canadian fixed income securities (84%) and North American equities (16%). The portfolio is managed in compliance with the Fund’s investment policy. Fixed income investments typically comprise a diversified mix of government, provincial and corporate bonds with an investment rating of “BBB” or better. Equity investments comprise a diversified mix of equities listed on the New York and Toronto stock exchanges. An unrealized loss of $1.1 million (2007 – $939,000) for the year limited the increase in the value of the portfolio at year end.

Reserve for unpaid grants

Based upon the actuarial valuation, the reserve for unpaid grants has increased by $2 million to $11.8 million during the year. The majority of the increase is attributable to claims received during the year from the clients of two lawyers.

Statement of Revenues and Expenses and Change in Fund Balances

Lawyer pool

Lawyers' fees

Lawyers' fees increased from $6.3 million in 2007 to $6.5 million in 2008 due to an increase of approximately 650 full fee paying equivalent lawyers.

Investment income

Investment income has decreased from $806,000 in 2007 to $433,000 in 2008 as a result of unrealized losses of $1.1 million and a reduction in realized gains on portfolio investments. Investment income for the year is analyzed below:

Interest on fixed income investments and dividends on equities	$1,285,000	$1,257,000
Net capital gains realized on the disposition of bonds or equities	240,000	488,000
Unrealized losses	(1,092,000)	(939,000)
Total	**$433,000**	**$806,000**

Net grants expense

The net grants expense was $3.3 million, compared to $1.3 million in 2007. The components of the expense are analyzed below.

- Grants paid during the year increased from $1.1 million in 2007 to $1.5 million. These payments relate largely to claims previously reserved.
- An increase in the reserve for unpaid grants of $2.0 million (2007 – $592,000).
- Recoveries of grants paid at $122,000 were well below 2007 levels of $409,000, but recoveries do not follow any pattern.

Other expenses

The Compensation Fund's 2008 other expenses were generally stable compared to 2007.

Paralegal pool

At this time, the revenue and expenses associated with paralegals are relatively small, given the small number licensed by the end of the year.

COMPENSATION FUND

Auditors' Report

To the Members of The Law Society of Upper Canada

We have audited the balance sheet of The Law Society of Upper Canada Compensation Fund as at December 31, 2008 and the statements of revenues and expenses and change in fund balance and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statement present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 20, 2009

COMPENSATION FUND

Balance Sheet

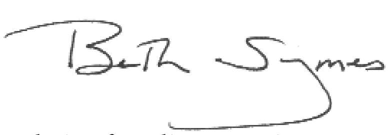
Stated in thousands of dollars
As at December 31

	2008	2007
Assets		
Current assets		
Cash	**2,708**	1,957
Short-term investments	**5,219**	5,600
Cash and short-term investments	**7,927**	7,557
Interest and other receivables	**301**	206
Total current assets	**8,228**	7,763
Portfolio investments (note 4)	**23,697**	23,514
Total Assets	**31,925**	31,277
Liabilities and Fund Balance		
Current Liabilities		
Accounts payable and accrued liabilities	**240**	12
Reserve for unpaid grants	**11,817**	9,835
Total Liabilities	**12,057**	9,847
Fund Balances		
Lawyers	**19,861**	21,430
Paralegals	**7**	–
Total Fund Balances	**19,868**	21,430
Total Liabilities and Fund Balances	**31,925**	31,277

See accompanying notes

On behalf of Convocation

Treasurer



Chair of Audit Committee

COMPENSATION FUND

Statement of Revenues and Expenses and Change in Fund Balance

Stated in thousands of dollars for the year ended December 31

	2008			2007
	Lawyers	Paralegals	Total	Total
Revenues				
Annual fees	**6,492**	**203**	**6,695**	6,291
Investment income (note 2)	**433**	**–**	**433**	806
Total Revenues	**6,925**	**203**	**7,128**	7,097
Expenses				
Grants paid	**1,481**	**–**	**1,481**	1,143
Increase in reserve for unpaid grants	**1,918**	**64**	**1,982**	592
Recoveries	**(122)**	**–**	**(122)**	(409)
Net grants expense	**3,277**	**64**	**3,341**	1,326
Spot audit	**2,203**	**58**	**2,261**	2,103
Share of investigation and discipline	**1,309**	**34**	**1,343**	1,221
Administrative	**1,286**	**29**	**1,315**	1,107
Salaries and benefits	**419**	**11**	**430**	433
Total Expenses	**8,494**	**196**	**8,690**	6,190
(Deficit) surplus	**(1,569)**	**7**	**(1,562)**	907
Fund balance, beginning of year	**21,430**	**–**	**21,430**	19,357
Unrealized gains, beginning of year	**–**	**–**	**–**	1,166
Fund Balance, end of year	**19,861**	**7**	**19,868**	21,430

See accompanying notes

COMPENSATION FUND

Statement of Cash Flows

Stated in thousands of dollars for the year ended December 31

	2008	2007
Net inflow (outflow) of cash related to the following activities		
Operating		
(Deficit) surplus	**(1,562)**	907
Item not affecting cash:		
Increase in reserve for unpaid grants	**1,982**	592
	420	1,499
Net change in non-cash operating items:		
Interest and other receivables	**(95)**	(34)
Accounts payable and accrued liabilities	**228**	(7)
Cash from operating activities	**553**	1,458
Investing		
Short-term investments (net)	**381**	(878)
Portfolio investments (net)	**(183)**	(1,273)
Unrealized gains on investments, beginning of the year	**–**	1,166
Cash from investing activities	**198**	(985)
Net inflow of cash, during the year	**751**	473
Cash, beginning of year	**1,957**	1,484
Cash, end of year	**2,708**	1,957

See accompanying notes

COMPENSATION FUND

Notes to Financial Statements

Stated in whole dollars except where indicated
For the year ended December 31, 2008

1. Description of Fund

The Compensation Fund (the "Fund") is maintained by The Law Society of Upper Canada (the "Society") pursuant to section 51 of the *Law Society Act* to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a member, in connection with the member's professional business or in connection with any trust of which the member was a trustee. The Fund is financed by members' annual fees and investment income.

The *Law Society Act* was amended by the *Access to Justice Act* in 2007 to legislate the regulation of paralegals by the Society. Beginning in 2008, the revenues and expenses related to paralegals have been segregated from those of lawyers in order to maintain separate funding pools to satisfy claims arising from each group.

The Fund is not subject to income or capital taxes because it is a fund of the Society, a not-for-profit corporation.

The Fund reimburses the Society's General Fund for certain administrative expenses, spot audit expenses and a portion of the costs of operating the investigation and discipline functions of the Society. The charges for the year amount to $4,749,000 (2007 – $4,282,000).

2. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants ("CICA"), using the restricted fund method of reporting revenues. The Fund accounts for the program delivery, administration and payment of grants from the Fund. The Fund is restricted in use by the *Law Society Act*.

Financial instruments

Under the standards for measuring financial instruments, all financial assets are classified into one of the following four categories of financial instruments: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The Fund's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Interest and other receivables	Loans and receivables	Amortized cost
Portfolio investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The reserve for unpaid grants is not a financial instrument.

The fair values of portfolio investments are determined by reference to published quotations in an active market at year end for fixed income and U.S. equity investments and by reference to transactional net asset value for the Canadian equity pooled fund. Transaction costs are expensed as incurred. The fair value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their nature or capacity for prompt liquidation.

Currency risk

The risk of fluctuations in the fair value of financial instruments relative to the Canadian dollar is managed through the Fund's investment policy. At year end, 7% of portfolio investments were invested in equities denominated in U.S. dollars (2007 – 6%). Foreign denominated bonds are not permitted, non-North American equities are not permitted and the range for equity holdings is between 5% and 20% of the portfolio. The Fund has no other significant transactions denominated in a foreign currency.

Interest rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through the Fund's investment policy, as such risk arises from the Fund's interest bearing investments. The Fund has no interest-bearing liabilities. An analysis of maturity dates for long-term fixed income securities is set out below.

Maturity	Interest Rate Range	2008 ($000s)	Interest Rate Range	2007 ($000s)
Within 5 years	**3.55% - 5.94%**	**8,948**	3.55% - 4.65%	7,944
Beyond 5 years	**2.0% - 10.22%**	**11,034**	3.7% - 8.0%	12,665
Total		**19,982**		20,609

Fluctuations in interest rates in cash and short-term investments do not have a significant effect on operations of the Fund.

Market risk

The risk of fluctuations in the fair value of financial instruments due to changes in market prices is managed through the Fund's investment policy which requires a diversified portfolio of government bonds, corporate bonds, and Canadian and U.S. equities meeting specified quality requirements as analyzed in Note 4.

Credit risk

Credit risk is the possibility that other parties may default on their financial obligations. At year end, the maximum exposure of the Fund to credit risk in cash and short- and long-term fixed income investments was $27,909,000 (2007 – $28,166,000). In compliance with the investment policy, fixed income investments are in the financial obligations of governments, major financial institutions and commercial paper with investment grade ratings.

Liquidity risk

Liquidity risk is the risk the Fund will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Fund monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Fund and all long-term securities are listed on the Toronto or New York stock exchanges.

The Fund has not entered into any derivative transactions. In addition, the Fund's contractual arrangements do not have any embedded features.

Cash and short-term investments

Cash and short-term investments (less than one year) are amounts on deposit and invested in short-term investment vehicles according to the Fund's investment policy. They are subject to insignificant risk of a change in value.

Revenue recognition

Member fees are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Realized investment income is recognized when receivable if the amount can be reasonably estimated, while realized losses are recognized when known. Unrealized investment gains/losses are recognized with changes in the fair value of financial instruments.

Grants

Pursuant to section 51(5) of the *Law Society Act*, the payment of grants from the Fund is at the discretion of Convocation, the governing body of the Society. For claims in respect of funds advanced by a claimant to a lawyer on or after April 24, 2008, grants paid from the lawyer pool of the Compensation Fund are subject to a $150,000 limit per applicant. This was increased from a grant limit of $100,000 for funds advanced prior to this date. Grants paid from the paralegal pool of the Compensation Fund are subject to a $10,000 limit per applicant. Reserves for unpaid grants for the lawyer pool and paralegal pool are recorded as liabilities on the balance sheet. These reserves represent an estimate of the present value of grants to be paid for claims and the associated administrative costs, as determined by an actuary. The related net grants expense represents grant payments during the year plus the current year experience gain/loss of the reserve for unpaid grants, net of recoveries.

3. Measurement Uncertainty

The valuation of unpaid grants anticipates the combined outcomes of events that are yet to occur. There is uncertainty inherent in any such estimation and therefore a limitation upon the accuracy of these valuations. Future loss emergence may deviate from these estimates. No provision has been made for otherwise unforeseen changes to the legal or economic environment in which claims are settled, nor for causes of loss which are not already reflected in the historical data. Management believes that the techniques employed and assumptions made are appropriate and the conclusions reached are reasonable given the information currently available. The estimate of unpaid grants is reviewed on a quarterly basis by an actuary and, as adjustments become necessary, they are reflected in current operations.

4. Portfolio Investments

($000s)	**2008**	2007
Debt securities	**19,982**	20,609
Canadian equities	**2,016**	1,466
U.S. equities	**1,699**	1,439
Total	**23,697**	23,514

The total amount of the unrealized change in the fair value of portfolio investments recognized as a reduction of investment income for the year is $1,092,000 (2007 – $939,000).

5. Guarantees

In the normal course of business, the Society has entered into agreements that meet the definition of a guarantee, including indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. Under the terms of these agreements, the Society agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

The Society has also provided indemnification to all directors and officers of the Society. Under Section 9 of the Law Society Act :

> No action or other proceedings for damages shall be instituted against the Treasurer or any bencher, official of the Society or person appointed in Convocation for any act done in good faith in the performance or intended performance of any duty or in the exercise or in the intended exercise of any power under this Act, a regulation, a by-law or a rule of practice and procedure, or for any neglect or default in the performance or exercise in good faith of any such duty or power.

Notwithstanding Section 9, the Society has also purchased errors and omissions insurance for past and present officers, employees, committee members, benchers, agents and volunteers acting on behalf of the Society, its subsidiaries and affiliates, to mitigate the cost of any potential suit or action. No estimate of the maximum exposure under these indemnifications can be made but historically the Society has not made any significant payments under such or similar indemnification agreements. Therefore, no amount has been accrued in the financial statements with respect to these agreements.

ERRORS AND OMISSIONS INSURANCE FUND

Management Discussion and Analysis

Combined Balance Sheet

Investments

Investment assets, inclusive of cash and cash equivalents, decreased by $3.1 million to $464 million at December 31, 2008. The decrease represents lower cash revenue provided by operations, mainly attributable to the lower mandatory professional liability insurance premium (base premium of $2,300 in 2008, compared to $2,600 in 2007) and reduced investment income. Investments are measured at fair market value on the balance sheet at December 31, 2008. Investment assets are managed in accordance with the investment policy in a diversified, high quality portfolio of fixed income securities (91%) and equities (9%).

Provision for unpaid claims and adjustment expenses and reinsurers' share thereof

The provision for unpaid claims represents the amount required to satisfy all of the Errors and Omission Insurance Fund's obligations to claimants prior to recoveries from reinsurers. The provision has increased by $8.7 million in 2008. Reinsurance recoveries have declined by $9.3 million and accordingly the net increase in the provision is $18.0 million at December 31, 2008. This increase is attributable to the higher estimate of claims for the 2008 insurance program year and the impact of changes in reinsurance arrangements made since 2002, as the percentage ceded under quota share reinsurance in respect of the Ontario mandatory professional liability insurance program declined from 57% in 1995 to nil effective January 1, 2003.

Surplus

The surplus has decreased by $5 million, representing the excess of revenue over expenses for the year, and net unrealized losses on the investment portfolio which flow directly to the combined balance sheet through surplus.

Combined Statement of Revenue and Expenses

In 2008, the Errors and Omissions Insurance Fund generated an excess of revenue over expenses of $5.9 million, a decrease of $12.5 million from 2007 results. Total expenses increased by $3.6 million in 2008 to $113.4 million and revenues decreased by $8.9 million to $119.3 million.

Members' levies

Members' levies, representing insurance premiums under the Society's mandatory professional liability insurance program for lawyers, amounted to $78.8 million, a $6.1 million decrease over 2007. The base annual levy for the Ontario professional liability program was decreased by $300 per member to $2,300 in 2008. Insurance premiums also included a total transfer of $6.6 million from the Premium Stabilization Fund ($8.0 million less a $1.4 million return premium) triggered under the funding requirements for the 2008 insurance program and under the provisions of the Society's contract with LAWPRO for the insurance program.

Investment income

The Combined Fund generated $23.6 million of investment income, a decrease of $5.8 million from the prior year, which includes net capital gains of $3.1 million (2007 – $12.2 million) realized on the disposition of assets. At December 31, 2008, the cost of the portfolio exceeded market value by $15.6 million (2007 – cost of the portfolio exceeded market by $1.2 million).

Net claims and adjustment expenses

Incurred claims of $81.8 million are $9.5 million higher than the prior year. The favourable development of prior years' claims in the amount of $17.7 million partly offsets the higher claims incurred in respect of the 2008 insurance program year.

Reinsurance premiums

Reinsurance arrangements and their costs are fairly consistent with prior year, $5.7 million in 2008 compared with $5.4 million in 2007, with the increase reflecting the growth of the Excess program in 2008.

General expenses

General expenses in 2008 are substantially as anticipated and slightly higher than the prior year by $0.7 million.

Auditors' Report

To the Members of The Law Society of Upper Canada

We have audited the combined balance sheet of the Law Society of Upper Canada – Errors and Omissions Insurance Fund (the "Fund") as at December 31, 2008 and the combined statements of operations, of changes in surplus and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 5, 2009

Report of the Valuation Actuary

To the Members of The Law Society of Upper Canada

Role of the Valuation Actuary

The valuation actuary is appointed by the Audit Committee of the Lawyers' Professional Indemnity Company in its capacity as manager of the Law Society of Upper Canada Errors and Omissions Insurance Fund. With respect to the preparation of these combined financial statements, the actuary is required to carry out a valuation of the claim liabilities and to report thereon to the Audit Committee, and through it to the membership of the Law Society. The valuation is carried out in accordance with accepted actuarial practice, and regulatory requirements. The scope of the valuation encompasses the claim liabilities, that is the provision for unpaid claims and adjustment expenses on claims incurred and reported as of December 31, 2008, the date of these combined financial statements.

In performing a valuation of the liabilities, which by their very nature are inherently variable, the actuary makes assumptions as to future rates of claims severity, inflation, reinsurance recoveries, expenses and other matters, taking into consideration the circumstances of the Errors and Omissions Insurance Fund, the Lawyers' Professional Indemnity Company and the nature of the insurance coverage being offered. The valuation is necessarily based on estimates; consequently the final values may vary significantly from those estimates. The actuary also makes use of management information provided by the Law Society and the Lawyers' Professional Indemnity Company, and uses the work of the auditor with respect to the verification of the underlying data used in the valuation.

Valuation Actuary's Report

I have valued the claim liabilities arising on the errors and omissions insurance coverage arranged by the Law Society of Upper Canada for its Errors and Omissions Insurance Fund combined balance sheet as at 31 December 2008, and their changes in its combined statement of operations for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of the claim liabilities makes appropriate provision for all such obligations, and the financial statements fairly present the results of the valuation.

Brian G. Pelly
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 11, 2009

ERRORS AND OMISSIONS INSURANCE FUND

Combined Balance Sheet

Stated in thousands of dollars
As at December 31

	2008	2007
Assets		
Cash and cash equivalents	**3,539**	7,917
Investments (note 3)	**460,411**	459,169
Investment income due and accrued	**2,358**	2,539
Accounts receivable	**15,257**	7,925
Reinsurers' share of provision for:		
Unpaid claims and adjustment expenses (note 5)	**46,186**	55,443
Other assets	**355**	1,014
Capital assets (note 4)	**3,993**	729
Future income taxes (note 10)	**2,645**	2,931
Total Assets	**534,744**	537,667
Liabilities and surplus		
Provision for unpaid claim and adjustment expenses (note 5)	**350,711**	341,970
Premium Stabilization Fund (note 7)	**15,993**	22,649
Accounts payable and accrued liabilities	**6,095**	6,143
	372,799	370,762
Surplus (note 11)	**161,945**	166,905
Total Liabilities and Surplus	**534,744**	537,667

See accompanying notes

On behalf of Convocation

Treasurer

Chair of Audit Committee

ERRORS AND OMISSIONS INSURANCE FUND

Combined Statement of Operations

Stated in thousands of dollars for the year ended December 31

	2008	2007
Revenue		
Insurance premiums, mandatory insurance program (notes 1 and 6)	**78,811**	84,948
Insurance premiums, title and excess	**11,928**	12,328
Reinsurance commissions	**4,913**	1,473
Investment income (note 3)	**23,630**	29,400
Other revenue	**45**	79
Total Revenue	**119,327**	128,228
Expenses		
Net claims and adjustment expenses (note 5)	**81,831**	72,337
Reinsurance premiums	**5,683**	5,388
General expenses	**16,209**	15,457
Transfer to the Society's General Fund (note 8)	**3,750**	3,250
Premium taxes	**2,724**	2,919
Income taxes (note 10)	**3,220**	10,487
Total Expenses	**113,417**	109,838
Excess of Revenue over Expenses	**5,910**	18,390

See accompanying notes

Combined Statement of Changes in Surplus

Stated in thousands of dollars

Surplus at December 31, 2006	**150,004**
Transitional adjustments on adoption of new accounting standards:	
Investments – net unrealized gains, net of $5,883 income tax	11,694
Provision for unpaid claims and adjustment expenses, net of $1,105 income tax	(1,545)
Excess of revenue over expenses for the year	18,390
Change in unrealized gains and losses on investments available for sale, net of $5,707 income tax	(11,638)
Surplus at December 31, 2007	**166,905**
Excess of revenue over expenses for the year	5,910
Change in unrealized gains and losses on investments available for sale, net of $4,516 income tax	(10,870)
Surplus at December 31, 2008	**161,945**

See accompanying notes

ERRORS AND OMISSIONS INSURANCE FUND

Combined Statement of Cash Flows

Stated in thousands of dollars for the year ended December 31

	2008	2007
Operating Activities		
Excess of revenue over expenses	**5,910**	18,390
Items not affecting cash:		
Future income taxes	**343**	516
Amortization of capital assets	**875**	440
Realized gains	**(3,120)**	(12,172)
Amortization of premiums and discounts on bonds	**(1,642)**	(1,749)
Changes in unrealized gains and losses	**(1,028)**	1,457
	1,338	6,882
Change in non-cash balances:		
Investment income due and accrued	**181**	487
Accounts receivable	**(7,332)**	2,291
Provision for unpaid claims and adjustment expenses	**8,741**	6,791
Reinsurers' share of provision for unpaid claims & adjustment expenses	**9,257**	11,314
Premium Stabilization Fund	**(6,656)**	(10,052)
Unearned premiums	**24**	–
Other assets	**659**	(671)
Accounts payable and accrued liabilities	**4,387**	1,974
Net cash inflow from operating activities	**10,599**	19,016
Investing Activities		
Purchase of capital assets	**(4,141)**	(736)
Purchase of investments	**(308,046)**	(326,716)
Proceeds from sales and maturities of investments	**297,210**	313,588
Net cash outflow from investing activities	**(14,977)**	(13,864)
Increase (decrease) in cash and cash equivalents during the year	**(4,378)**	5,152
Cash and cash equivalents, beginning of year	**7,917**	2,765
Cash and cash equivalents, end of year	**3,539**	7,917
Cash and cash equivalents at end of year consists of:		
Cash	**3,159**	4,397
Cash equivalents	**380**	3,520
	3,539	7,917

See accompanying notes

ERRORS AND OMISSIONS INSURANCE FUND

Notes to Financial Statements

Stated in thousands of dollars
For the year ended December 31, 2008

1. The Insurance Program and Its Risk Retention and Reinsurance Structure

The combined financial statements of the Errors and Omissions Insurance Fund ("the Combined Fund") account for the mandatory professional liability insurance program of the Law Society of Upper Canada ("the Society"), as well as title and excess insurance operations. The professional liability insurance program requires practising members to pay levies that contribute towards premiums to fund the anticipated costs of professional liability claims made in each annual policy period. Indemnification of members is subject to the terms of the insurance policy, including financial limits per claim and aggregate limits per member in each policy period.

These financial statements combine the results of operations, financial positions and cash flows of:

- the Errors and Omissions Insurance Fund of the Society ("the Fund"), the fund originally set up in the Society's accounts to record insurance claims and expenses and related levies and their investment; and
- Lawyers' Professional Indemnity Company ("LAWPRO" or "the Company"), a wholly owned subsidiary of the Society that was incorporated in 1990 as an insurance company and is licensed to provide professional liability insurance to lawyers and title insurance.

The risk retention and reinsurance structures employed through these two entities are described in the following paragraphs.

Prior to July 1, 1990, the Society's Errors and Omissions Insurance Program was underwritten by various insurance carriers subject to a policy deductible. LAWPRO took over the underwriting of the program commencing July 1, 1990. The Society maintained financial responsibility for the policy deductible through to December 31, 1994. The policy deductible was a combination of a group deductible and the individual member deductibles. For the periods noted below, the combined policy deductibles were as follows:

July 1989 to June 1990	$ 250	per occurrence
July 1990 to December 1991	$ 200	per occurrence
January 1992 to December 1994	$ 250	per occurrence

The Society was not able to arrange Stop Loss reinsurance on its group deductible after the policy period ending June 1989. As a result, the full financial risk of the deductible rested with the Society, from July of 1989 through the policy period ended December 1994.

LAWPRO also had a net retention above the policy's group deductible as follows:

- July 1, 1990 to December 31, 1991: LAWPRO is liable for $50 of all individual losses in excess of $200;
- January 1, 1992 to December 31, 1992: LAWPRO is liable for an aggregate of $2,500 from individual losses incurred in excess of $250 plus a further 10% of all losses above $250 once the initial $2,500 limit has been reached; and
- January 1, 1993 to December 31, 1994: LAWPRO is liable in each policy year for an aggregate of $4,000 if incurred losses are above or exceed $250 plus a further 10% of all losses in excess of $250 once the initial $4,000 limit has been reached.

It was decided, effective January 1, 1995, to eliminate the self-insured group deductible. Commencing January 1, 1995, 100% of the risk over the individual member deductibles is insured within LAWPRO. LAWPRO in turn reinsures a portion of its risk retention with third party Canadian licensed reinsurers.

The annual policy limits for each of the years effective January 1, 1995 through December 31, 2007 are $1,000 per claim and $2,000 in aggregate per member.

2. Significant Accounting Policies

These combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The combination of the results of operations, financial positions and cash flows of the Fund and LAWPRO involves combining together their respective revenues, expenses, assets and liabilities and the elimination of balances to and from the Fund and LAWPRO, thereby providing members with information on the total results of operations, financial position and cash flows of all of the Society's insurance operations.

The significant accounting policies used in the preparation of these financial statements are summarized below.

Changes in accounting policies

a) Adopted during the year

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1535 "Capital Disclosures", 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation". Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3863 carries forward unchanged the presentation requirements of Section 3861, while Section 3862 requires additional disclosures of the nature and extent of risks arising from financial instruments, including the objectives, policies, processes and methods used to measure and manage key risks. These new disclosures are included in notes 13 and 14.

On October 17, 2008, the CICA announced amendments to Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3862 "Financial Instruments – Disclosures". These amendments permit companies to move certain financial assets out of categories that require fair value changes to be recognized immediately in net income. No such transfers have been effected by the Combined Fund.

b) Future accounting changes

In February 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Provisions concerning goodwill are unchanged from the previous Section 3062. Section 3064 will be effective on a prospective basis for the Combined Fund's fiscal year beginning January 1, 2009. The new section is not expected to have a material impact on the Combined Fund's financial statements.

The Accounting Standards Board ("AcSB") has issued an exposure draft proposing to incorporate International Financial Reporting Standards ("IFRS") into the CICA Handbook over the period ending December 31, 2010. After this transitional period, the Company will cease to use Canadian GAAP and will adopt IFRS on January 1, 2011. The Combined Fund monitors this transition to IFRS and is analyzing the impact that the adoption of IFRS will have on its financial statements.

Financial instruments – recognition and measurement

In accordance with the new standards, financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as held for trading or as other financial liabilities. These classifications are determined based on the characteristics of the financial assets and liabilities, the company's choice and/or the company's intent and ability. As permitted under the standards, the company has the ability to designate any financial instrument irrevocably, on initial recognition or adoption of the standards, as held for trading under the fair value option ("FVO") as long as its fair value can be reliably measured. The Combined Fund's financial assets and liabilities are measured on the balance sheet at fair value on initial recognition and are subsequently measured at fair value or amortized cost depending on their classification as indicated below.

Fair values of financial instruments are based on quoted market prices in active markets and are determined using bid prices for financial assets and ask prices for financial liabilities. Fair values of third party pooled funds are based on the net asset values as advised by the Fund administrators. Transaction costs related to financial assets and liabilities are expensed as incurred. The Combined Fund accounts for the purchase and sale of securities using trade date accounting. The effective interest method is used to calculate amortization/accretion of premiums or discounts on fixed income securities.

Held for trading financial assets

Financial assets classified as held for trading are measured at fair value on the combined balance sheet with realized gains and losses and net changes in unrealized gains and losses recorded in investment income along with dividends and interest earned.

The Combined Fund maintains a cash-flow matched investment portfolio which was designated as held for trading under the FVO. The cash-flow matched portfolio consists of fixed income investment securities the amounts and terms of which match the expected timing and magnitude of future payments of claims and adjustment expenses. The cash-flow matched portfolio represents a significant component of the Combined Fund's risk management strategy for meeting its claims obligations. The designation of the financial assets in the cash-flow matched investment portfolio as held for trading is intended to significantly reduce the measurement or recognition inconsistency that would otherwise arise from measuring assets, liabilities, and gains and losses under different accounting methods. Interest rate movements cause changes in the values of the investment portfolio and of discounted estimated future claims liabilities. As the changes in values of the matched portfolio and of the discounted estimated future claims liabilities flow through the income statement, the result is an offset of at least a significant portion of these changes.

Cash and cash equivalents are also classified as held for trading. Cash and cash equivalents consist of cash on hand, balances with banks, and short-term investments that mature in three months or less from the date of acquisition.

Available for sale financial assets

Financial assets classified as available for sale are measured at fair value on the balance sheet. Dividends and interest income from available for sale securities, including amortization of premiums and the accretion of discounts, are recorded in investment income in the statement of operations. Net changes in unrealized gains and losses are recorded in the changes in surplus, outside the combined statement of operations, until realized, at which time the cumulative gain or loss is reclassified to investment income in the statement of operations. Also, unrealized losses that are determined to be other than temporary are reclassified to investment income. Investments in equity securities classified as available for sale that do not have quoted market prices in an active market would be measured at cost.

Financial assets in the Combined Fund's surplus portfolio (consisting of all investments outside the cash-flow matched portfolio), including fixed income securities, equities and pooled funds, were classified as available for sale.

Other financial assets and liabilities

Neither the Fund nor the Company has designated any financial assets as held to maturity. Loans and receivables and other financial liabilities are carried at amortized cost. Given the short-term nature of other financial assets and other financial liabilities, amortized cost approximates fair value.

Impairment

Available for sale assets are tested for impairment on a quarterly basis. Objective evidence of impairment for bonds includes financial difficulty of the issuer, bankruptcy or defaults, and delinquency in payments of interest or principal. Objective evidence of impairment for stocks includes a significant or prolonged decline in fair value of the stock below cost or changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that may indicate that the carrying value will not recover.

Where there is objective evidence that an available for sale asset is impaired and the decline in value is considered other than temporary, the loss accumulated in surplus is reclassified to net gains (losses) on available for sale assets. Once an impairment loss is recorded to income, it is not reversed. Following impairment loss recognition, these assets will continue to be recorded at fair value with changes in fair value recorded to surplus and tested for further impairment quarterly. Interest is no longer accrued and previous interest accruals are reversed.

Transitional adjustments

On January 1, 2007, the Fund and the Company recognized all financial assets and liabilities on the combined balance sheet according to their classification. Any adjustment made to a previous carrying amount was recognized as an adjustment to opening retained earnings or opening accumulated other comprehensive income, net of income taxes. The balance sheet adjustments relating to investments and the provision for unpaid claims and adjustment expenses (net of reinsurance) have been summarized in the statement of changes in surplus.

Although the provision for unpaid claims and adjustment expenses is not a financial instrument, its valuation is based on a discount rate that is determined on a fair value basis, under the new accounting standards, rather than an amortized cost basis used previously. As a result of changes to the discount rate used in the actuarial valuation, the provision for unpaid claims and adjustment expenses increased by $1,545 (net of $1,105 income tax) with a corresponding reduction in opening surplus at January 1, 2007.

Also effective January 1, 2007, as a result of measuring investments at fair value instead of amortized cost, the cash-flow matched investment portfolio increased by $1,942 (net of $871 income tax) while the surplus investment portfolio increased by $9,752 (net of $5,012 income tax), with a corresponding increase in opening surplus in both cases.

Capital assets

Capital assets are carried at amortized cost. Amortization is charged to expense on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of lease
Furniture and fixtures	3 to 5 years
Computer equipment and software	1 to 3 years

Premium related balances

Insurance policies under the professional liability insurance program are effective on a calendar year basis. Professional liability insurance premium income is earned on a pro rata basis over the term of coverage of the underlying insurance policies; generally one year, except for policies for retired lawyers, which have terms of up to five years. The portion of premiums related to the unexpired term of coverage at the balance sheet date is recorded as unearned premiums.

Title insurance premiums are earned at the inception date of policies.

Premiums receivable are recorded as amounts due from insureds in the balance sheet, net of any required provision for doubtful amounts. Premiums received from insureds in advance of the effective date of the insurance policy are recorded as amounts due to insureds in the balance sheet.

The Combined Fund defers policy acquisition expenses, primarily premium taxes on its written professional liability insurance premiums, to the extent these costs are considered recoverable. These costs are expensed on the same basis that the related premiums are earned. The method to determine recoverability of deferred policy acquisition expenses takes into consideration future claims and adjustment expenses to be incurred as premiums are earned and anticipated investment income. Deferred policy acquisition expenses are not material at year end, and therefore the Company's policy is to not recognize an asset on the balance sheet.

Other income

Other income is miscellaneous income other than premium income or investment income and is recognized when it is earned.

Claims related balances

a) Provision for unpaid claims and adjustment expenses

The provision for unpaid claims and adjustment expenses is calculated based on accepted actuarial practice developed by the Canadian Institute of Actuaries. The provision consists of case estimates prepared by claims adjusters and a provision for incurred but not reported claims ("IBNR"). The estimates include related investigation, settlement and adjustment expenses. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income. The provision is recorded net of anticipated salvage and subrogation recoveries.

Claim liabilities are carried on a discounted basis using the yield of the underlying assets backing the claim liabilities, with a provision for adverse deviations, in accordance with accepted actuarial practice. Since the underlying assets are carried at fair value, the discount rate is the market yield.

b) Deductibles

The professional liability insurance policy requires insureds to pay deductibles to the maximum extent of $25 each on individual claims. Expected deductible recoveries on paid and unpaid claims are recognized net of any required provision for uncollectible accounts at the same time as the related claims liability.

Reinsurance

Net premiums earned and claims incurred are recorded net of amounts ceded to, and recoverable from, reinsurers in the statement of income. Amounts relating to reinsurance in respect of the premiums and claims related balances in the balance sheet are recorded separately. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the method of determining the policy liability associated with the reinsurance policy.

Employee future benefits

The Company maintains a defined contribution pension plan for its employees as well as a supplemental defined benefit pension plan for certain designated employees, which provides benefits to those employees in excess of the benefits provided by the Company's defined contribution pension plan. The benefit liability under the supplemental defined benefit pension plan is actuarially determined using the projected benefit method pro-rated on service and management's assumptions about discount rates, expected plan assets' performance, salary growth and retirement ages of employees. The discount rate is determined on the basis of market conditions at year end and other assumptions are based on long-term expectations.

Adjustments for plan amendments are recognized fully in income in the year to which they relate. Changes in assumptions and actuarial gains and losses are recognized in income in the year following the actuarial valuation of the benefit liability to which they relate.

Income taxes

The Company is subject to income taxes, while the Fund is not. The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized, where those tax rates and laws have been substantively enacted.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates and changes in estimates are recorded in the year in which they are determined. The most significant assets and liabilities which require estimation in their determination are the provision for unpaid claims and adjustments and reinsurers' share thereof (note 5).

3. Investments

a) Summary

2008	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available for sale				
Fixed income securities	$124,555	$2,985	($2,325)	$125,215
Common equities	59,196	300	(18,925)	40,571
	183,751	3,285	(21,250)	165,786
Held for trading under FVO				
Fixed income securities	290,637	7,117	(4,467)	293,287
Preferred equities	1,605	10	(277)	1,338
	292,242	7,127	(4,744)	294,625
Total	**$475,993**	**$10,412**	**($25,994)**	**$460,411**
Reconciled in aggregate to asset classes as follows:				
Fixed income securities	$415,192	$10,102	($6,792)	$418,502
Equities	60,801	310	(19,202)	41,909
Total	**$475,993**	**$10,412**	**($25,994)**	**$460,411**

2007	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available for sale				
Fixed income securities	$145,800	$1,162	($737)	$146,225
Common equities	46,507	2,979	(5,983)	43,503
	192,307	4,141	(6,720)	189,728
Held for trading under FVO				
Fixed income securities	266,481	2,072	(735)	267,818
Preferred equities	1,605	22	(4)	1,623
	268,086	2,094	(739)	269,441
Total	**$460,393**	**$6,235**	**($7,459)**	**$459,169**
Reconciled in aggregate to asset classes as follows:				
Fixed income securities	$412,281	$3,234	($1,472)	$414,043
Equities	48,112	3,001	(5,987)	45,126
Total	**$460,393**	**$6,235**	**($7,459)**	**$459,169**

The available for sale assets disclosed in the preceding tables exhibit evidence of impairment; however, no impairment loss has been recognized in net income because it is not considered other than temporary, due to factors such as a lack of prolonged decline and/or the existence of good prospects for future recovery.

b) Realized/change in unrealized gains and losses

The realized capital gains (losses) and increase (decrease) in the unrealized gains and losses on available for sale investments for the year ended December 31 are as follows:

2008	Net realized gains (losses)		
	Gross	Tax	Net
Investments – available for sale			
Fixed income securities	$1,262	($312)	$950
Common equities	1,508	(389)	1,119
Total	**$2,770**	**($701)**	**$2,069**

	Increase (decrease) in unrealized gains and losses		
	Gross	Tax	Net
Investments – available for sale			
Fixed income securities	$235	$212	$447
Common equities	(15,621)	4,304	(11,317)
Total	**($15,386)**	**$4,516**	**($10,870)**

2007	Net realized gains (losses)		
	Gross	Tax	Net
Investments – available for sale			
Fixed income securities	$787	($303)	$484
Common equities	11,351	(3,768)	7,583
Total	**$12,138**	**($4,071)**	**$8,067**

	Increase (decrease) in unrealized gains and losses		
	Gross	Tax	Net
Investments – available for sale			
Fixed income securities	($1,141)	$320	($821)
Common equities	(16,204)	5,387	(10,817)
Total	**($17,345)**	**$5,707**	**($11,638)**

c) Investment income

Investment income arising from investments classified as held for trading under FVO and from investments classified as available for sale recorded in the statement of operations is as follows:

2008	Held for trading under FVO	Available for sale	Total
Interest	$12,444	$6,382	$18,826
Dividends	77	1,337	1,414
Net realized gains	350	2,770	3,120
Changes in net realized gains and losses	1,028	–	1,028
	13,899	10,489	24,388
Less: investment expenses	(321)	(437)	(758)
Investment income	**$13,578**	**$10,052**	**$23,630**

2007	Held for trading under FVO	Available for sale	Total
Interest	$11,246	$5,854	$17,100
Dividends	113	2,280	2,393
Net realized gains	35	12,137	12,172
Changes in net realized gains and losses	(1,457)	–	(1,457)
	9,937	20,271	30,208
Less: investment expenses	(276)	(500)	(776)
Investment income	**$9,661**	**$19,771**	**$29,432**

d) Maturity profile of fixed income securities

The maturity profile of fixed income securities as at December 31 and its analysis by type of issuer is as follows:

2008	Within 1 year	1 to 5 years	Over 5 years	Total
Available for sale				
Issued or guaranteed by:				
Canadian federal government	$299	$33,509	$1,131	$34,939
Canadian provincial and municipal government	–	5,273	2,969	8,242
Other government	–	–	–	–
Mortgage backed securities	–	5,792	19,186	24,978
Corporate debt	1,083	9,264	46,709	57,056
	$1,382	$53,838	$69,995	$125,215
Held for trading under FVO				
Issued or guaranteed by:				
Canadian federal government	$39,474	$63,594	$17,355	$120,423
Canadian provincial and municipal government	7,455	18,038	48,712	74,205
Other government	–	5,371	2,496	7,867
Mortgage backed securities	–	1,248	1,351	2,599
Corporate debt	16,138	54,364	17,691	88,193
	63,067	142,615	87,605	293,287
Total	**$64,449**	**$196,453**	**$157,600**	**$418,502**
Percent of total	**15%**	**47%**	**38%**	**100%**

2007	Within 1 year	1 to 5 years	Over 5 years	Total
Available for sale				
Issued or guaranteed by:				
Canadian federal government	$628	$42,565	$16,225	$59,418
Canadian provincial and municipal government	–	3,388	1,962	5,350
Other government	–	–	–	–
Mortgage backed securities	–	5,521	18,028	23,549
Corporate debt	750	10,243	46,915	57,908
	$1,378	$61,717	$83,130	$146,225
Held for trading under FVO				
Issued or guaranteed by:				
Canadian federal government	$39,281	$66,663	–	$105,944
Canadian provincial and municipal government	–	11,232	51,009	62,241
Other government	–	5,078	–	5,078
Mortgage backed securities	895	–	–	895
Corporate debt	15,925	55,880	21,855	93,660
	56,101	138,853	72,864	267,818
Total	**$57,479**	**$200,570**	**$155,994**	**$414,043**
Percent of total	**14%**	**48%**	**38%**	**100%**

The weighted average duration of fixed income securities at December 31, 2008 is 4.23 years (2007 – 4.30 years). The effective yield on fixed income securities at December 31, 2008 is 4.04% (2007 – 3.97%).

4. Capital Assets

	Cost	2008 Accumulated amortization	Carrying value	2007 Carrying value
Furniture & fixtures	$1,320	($242)	$1,078	$32
Computer equipment	979	(543)	436	539
Computer software	216	(128)	88	158
Leasehold improvements	2,600	(209)	2,391	–
Total	**$5,115**	**($1,122)**	**$3,993**	**$729**

5. Provision for Unpaid Claims and Adjustment Expenses

The determination of the provision for unpaid claims and adjustment expenses is a complex process based on known facts, interpretations and judgment and is influenced by a variety of factors. Consequently, the measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid claims and adjustment expenses and any related recoveries for reinsurance and deductibles, involves estimates and measurement uncertainty. The amounts are based on estimates of future trends in claim severity and other factors which could vary as claims are settled.

Variability can be caused by several factors including the emergence of additional information on claims, changes in judicial interpretation and significant changes in severity or frequency of claims from historical trends. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information. An actuary performs a valuation of claims liabilities at least annually. As adjustments to estimated claims liabilities become necessary, they are reflected in current operations.

To limit losses through the spreading of risks, the Combined Fund cedes reinsurance to other insurers. In the event that a reinsurer is unable to meet obligations assumed under reinsurance agreements, the Combined Fund is liable for such amounts. The Combined Fund has guidelines and a review process in place to ascertain the creditworthiness of the companies to which it cedes. Based on current information of the financial health of the reinsurers, no provision for doubtful debts has been made in the financial statements in respect of reinsurers.

Details of the provision for unpaid claims and adjustment expenses, by line of business, are summarized as follows:

2008	Gross	Ceded	Net
Liability	$339,250	($46,019)	$293,231
Title	11,461	(167)	11,294
Total	**$350,711**	**($46,186)**	**$304,525**

2007	Gross	Ceded	Net
Liability	$334,951	($55,208)	$279,743
Title	7,019	(235)	6,784
Total	**$341,970**	**($55,443)**	**$286,527**

Changes in provision for unpaid claims and adjustment expenses recorded in the balance sheet are comprised of the following:

	2008	2007
Provision for unpaid claims and adjustment expenses – beginning of year – net	**$286,527**	$265,771
Transitional adjustment on adoption of new accounting standards	**–**	2,650
	286,527	268,421
Change in net provision for claims and adjustment expenses due to:		
Prior years' incurred claims	**(15,158)**	(14,092)
Current year's incurred claims	**94,446**	91,045
Net claims and adjustment expenses paid in relation to:		
Prior years	**(55,358)**	(47,765)
Current year	**(8,475)**	(6,810)
Impact of discounting	**2,543**	(4,272)
Provision for unpaid claims and adjustment expenses – end of period – net	**304,525**	286,527
Reinsurers' share of provisions for unpaid claims and adjustment expenses	**46,186**	55,443
Provision for unpaid claims and adjustment expenses – end of period – gross	**$350,711**	$341,970

Details of the net claims and adjustment expenses for the year ended December 31 are as follows:

2008	Gross	Ceded	Net
Claims & adjustment expenses paid	$64,890	$6,527	$58,363
Change in case reserves	10,562	(7,490)	18,052
Change in IBNR	(5,692)	(2,563)	(3,129)
Discount expense / (income)	2,543	–	2,543
Unallocated loss adjustment expenses paid	5,472	–	5,472
Change in ULAE	530	–	530
Total	**$78,305**	**($3,526)**	**$81,831**

2007	Gross	Ceded	Net
Claims & adjustment expenses paid	$58,288	$9,300	$48,988
Change in case reserves	16,615	(11,161)	27,776
Change in IBNR	(6,271)	(658)	(5,613)
Discount expense / (income)	(4,274)	–	(4,274)
Unallocated loss adjustment expenses paid	5,143	–	5,143
Change in ULAE	317	–	317
Total	**$69,818**	**($2,519)**	**$72,337**

As the provision for unpaid claims and adjustment expenses is recorded on a discounted basis and reflects the time value of money, its carrying value is expected to provide a reasonable basis for the determination of fair value. However, determination of fair value also requires the practical context of a buyer and seller, both of whom are willing and able to enter into an arm's length transaction. In the absence of such a practical context, the fair value is not readily determinable.

6. Members' Levies – Mandatory Professional Liability Insurance Program

Members' levies relating to the mandatory professional liability insurance program contribute towards insurance premiums and are comprised of annual base levies of $2.3 per member (2007 – $2.6) and additional levies that are charged based on a member's claims history, status, and on the volume of specified categories of legal transactions. In 2008, additional levies contributing towards insurance premiums totalled $22,743 (2007 – $23,118). Insurance premiums relating to the mandatory professional liability insurance program are presented net of any retrospective premium rating adjustment under the insurance policy between the Society and LAWPRO.

7. Premium Stabilization Fund

Each year, the premium for the mandatory insurance program is established through a process whereby LAWPRO provides an offer, in writing, for review and acceptance by Convocation, the governing body of the Society. The offer provides detail on the components of the required premium, being anticipated base premiums, claims history levies and transaction based levies.

Revenue subsequently received as levies varies from anticipated amounts due to the level of underlying legal transactions being impacted by economic conditions and other variable factors. To the extent excess levies are received, these amounts are deposited in the Premium Stabilization Fund, held by the Society in the Fund's balance sheet, and applied as premiums in future years. If there is a shortfall for the year, the shortfall is met by additional contributions from the Premium Stabilization Fund. The premium contribution from the Premium Stabilization Fund to LAWPRO in 2008 was $8,071 (2007 – $7,776).

There are retrospective rating provisions under the insurance policy between the Society and LAWPRO. To the extent underwriting results develop to levels above or below certain contracted thresholds, there are additional premiums charged or premium refunds are made. These are accounted for as transfers between the Society's Premium Stabilization Fund and LAWPRO. As a result of the retrospective rating adjustments as of December 31, 2008, LAWPRO credited a refund of premium of $1,415 (2007 – $2,276 in additional premiums) which increased the Premium Stabilization Fund.

8. Transfer to the Society's General Fund

A portion of the investment income earned by the Fund amounting to $3,750 (2007 – $3,250), was determined to be in excess of the operating requirements of the insurance program and was transferred to the Society for general purposes.

9. Employee Future Benefits

LAWPRO has a defined contribution pension plan which is available to all its employees upon meeting the eligibility requirements. Each employee is required to contribute 4.5% of yearly maximum pensionable earnings, and 6% in excess thereof, of an employee's annual base earnings. Under the plan, LAWPRO matches all employee contributions. LAWPRO made payments of $468 in 2008 (2007 – $447) and recorded pension expenses of $470 (2007 – $453).

LAWPRO also has a supplemental defined benefit pension plan. Funding for the supplemental plan commenced in 2005, with LAWPRO making payments of $756 in 2008 (2007 – $823) and recorded pension expenses of $1,026 in 2008 (2007 – $206).

Funding requirements are reviewed annually with an actuarial valuation for funding purposes effective as at December 31. The most recent actuarial valuation for funding purposes was at an effective date of December 31, 2008. For reporting purposes, all assets and liabilities associated with pension benefits have been measured using values as at December 31, 2008.

Defined benefit plan obligations

	2008	2007
Accrued benefit obligation		
Balance, beginning of the year	**$2,312**	$2,164
Current service cost	**191**	145
Interest cost	**162**	115
Actuarial loss (gain)	**(461)**	(76)
Special termination benefit	**–**	373
Curtailment	**–**	(409)
Plan amendment	**734**	–
Balance, end of year	**$2,938**	$2,312

Defined benefit plan assets

	2008	2007
Fair value of plan assets		
Market value of plan assets		
– beginning of the year	**$2,346**	$1,560
Actual return on plan assets, net of expenses	**(240)**	(37)
Employer contribution	**756**	823
Market value of plan assets – end of year	**$2,862**	$2,346

The defined benefit plan assets arise primarily from employer contributions that are originally allocated equally between deposits held with the Government of Canada and investments in the units of a balanced pooled fund, representing a portfolio mix of equities and debt securities.

A reconciliation of the funded status surplus (deficit) of the benefit plans to the amounts recorded in the financial statements is set out below:

	2008	2007
Fair value of plan assets	**$2,862**	$2,346
Accrued benefit obligation	**(2,938)**	(2,312)
Funded status deficit	**(76)**	34
Unamortized net actuarial loss	**(135)**	25
Accrued benefit asset (liability)	**($211)**	$59

The accrued benefit asset is included in other assets and the accrued benefit liability is included in accounts payable and accrued liabilities in the combined balance sheet.

	2008	2007
Current service cost	**$190**	$145
Interest cost	**162**	115
Actual return on assets	**240**	37
Actuarial losses	**(461)**	(75)
Special termination benefit	**–**	373
Curtailment	**–**	(409)
Past service cost	**734**	–
Difference between actual and recognized actuarial losses	**486**	120
Difference between actual and expected return on assets	**(325)**	(100)
Defined benefit costs recognized in the statement of income	**$1,026**	$206

The significant assumptions used by LAWPRO are as follows (weighted average):

	2008	2007
Discount rate	**6.50%**	5.25%
Expected long-term rate of return on plan assets	**6.00%**	6.00%
Rate of compensation increase	**3.50%**	3.50%

10. Income Taxes

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the income taxes actually provided in LAWPRO's financial statements.

	2008	2007
LAWPRO's net income before taxes	**$10,245**	$28,097
Provision for income taxes at statutory rates	**3,432**	10,149
Increase / (decrease) resulting from:		
Unpaid claims	**221**	1,447
Investments	**(466)**	(632)
Other	**33**	(477)
Provision for income taxes	**$3,220**	$10,487

The Company's statutory income tax rate for the year ended December 31, 2008 is 33.5% (2007 – 36.12%).

LAWPRO's future income tax asset is the result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of these temporary differences and the tax effects for each year are as follows:

	2008	2007
Investments	**($2,100)**	($1,668)
Net provision for unpaid claims		
and adjustment expenses	**4,591**	4,505
Other	**154**	94
Total	**$2,645**	$2,931

During the year LAWPRO made payments of $4,438 and received refunds of $1,374 from tax authorities.

11. Surplus

The surplus recorded in the combined balance sheet includes LAWPRO's shareholder's equity. At December 31, 2008, the shareholder's equity of LAWPRO, as reported in its financial statements, was $133,879 (2007 – $135,820).

12. Operating Lease Rentals

LAWPRO entered into a lease effective February 1, 2008 for new premises at 250 Yonge Street.

At December 31, 2008, lease obligations on office premises were as follows:

2009	$1,220
2010	$1,220
2011	$1,220
2012	$1,220
2013	$1,220
Thereafter	$5,388

13. Risk Management

The Combined Fund employs an enterprise-wide risk management framework which establishes practices for risk management and includes policies, processes to identify, assess, manage and monitor risks, and risk tolerance limits. It provides governance and oversight of risk management activities across the Combined Fund's business segments, fostering the discipline and consistency applied to the practice of risk management.

The Combined Fund's risk framework is designed to avoid risks that could materially adversely affect the value or reputation of the Combined Fund, to contribute to stable and sustainable earnings, to identify risks that the Combined Fund can manage in order to increase returns, and to provide transparency of the Combined Fund's risks through internal and external reporting.

The Combined Fund's risk philosophy involves accepting risks for appropriate return and taking on those risks that meet its objectives. The Combined Fund's risk management program is aligned with its long-term vision and strategy and its culture supports an effective risk management program. The key elements of the risk culture include acting with integrity, understanding the impact of risk on all major stakeholders, embedding risk management into day-to-day business activities, promoting full and transparent communications, collaboration and aligning of objectives and incentives.

Insurance risk

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses. A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as in the determination of actuarial liabilities. The development of assumptions for future claims is based on the Combined Fund and industry experience; assumptions for policyholder behaviour are based on Combined Fund experience and predictive models. Such assumptions require a significant amount of professional judgment and therefore, actual experience may be materially different than the assumptions made by the Combined Fund. The Combined Fund has policies and procedures in place in order to monitor and control these risks.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligation to the Combined Fund. Most credit risks arise from investments in fixed income securities and preferred shares, and balances due from both insureds and reinsurers.

Management monitors credit risk and any mitigating controls. The Combined Fund has established a credit review process where the credit quality of all exposures is continually monitored so that appropriate prompt action can be taken when there is a change which may have material impact.

Governance processes around investments include oversight by the Board of Directors' Investment Committee. The oversight includes reviews of the Combined Fund's third party investment managers, investment performance and adherence to the Combined Fund's investment policy. The Combined Fund's investment policy statement is reviewed at least on an annual basis and addresses various matters including investment objectives, risks and management. Guidelines and limits have been established in respect of asset classes, issuers of securities and the nature of securities to address matters such as quality and concentration of risks.

With respect to credit risk arising from balances due from reinsurers, the Combined Fund's exposure is measured as both current exposure and potential future exposure reflecting the level of ceded liabilities. Reinsurance and insurance counterparties must also meet minimum risk rating criteria. The board of directors has approved a reinsurance policy, which is monitored by the Combined Fund's Audit Committee.

The credit risk profile of the Combined Fund's investments in fixed income securities and term deposits as at December 31, 2008 is provided below.

Credit Rating	Market Value	% of Total Holdings
AAA	$192,554	45%
AA	83,597	20%
A	107,477	26%
BBB	19,300	5%
BB or lower	–	0%
Not rated	15,574	4%
Total	**$418,502**	**100%**

Liquidity risk

Liquidity risk is the risk that the Combined Fund will not have enough funds available to meet all expected and unexpected cash outflow commitments as they fall due. Under stressed conditions, unexpected cash demands could arise primarily from a significant increase in the level of claim payment demands.

To manage its cash flow requirements, the Combined Fund has arranged diversified funding sources and maintains a significant portion of its invested assets in highly liquid securities such as cash and cash equivalents and government bonds (see note 3d). In addition, the Combined Fund has established counterparty exposure limits that aim to ensure that exposures are not so large that they may impact the ability to liquidate investments at their market value.

Claims liabilities account for the majority of the Combined Fund's liquidity risk. A significant portion of the investment portfolio is invested with the primary objective of matching the investment asset cash flows with the expected future payments on these claims liabilities. This portion, referred to as the cash-flow matched investment portfolio, consists of fixed income securities that are intended to address the liquidity and cash flow needs of the Combined Fund as claims are settled. The remainder of the Combined Fund's overall investment portfolio, the available for sale portfolio, backs shareholder's equity and is invested in fixed income securities and equities with the objective of preserving capital and achieving an appropriate return consistent with the objectives of the Combined Fund.

The following table summarizes carrying amounts of financial instruments and insurance assets and liabilities as at December 31, 2008 by contractual maturity or expected cash flow dates (the actual repricing dates may differ from contractual maturity because certain securities and debentures have the right to call or prepay obligations with or without call or prepayment penalties).

	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years	No Fixed Maturity	Total
Assets						
Cash and cash equivalents	$3,539	–	–	–	–	$3,539
Investments – held for trading under FVO	63,067	142,615	59,582	28,023	1,338	294,625
Investments – available for sale	1,382	53,838	23,468	46,527	40,571	165,786
Investment income due and accrued	2,358	–	–	–	–	2,358
Accounts receivable	15,257	–	–	–	–	15,257
Reinsurers' share of unpaid claims	12,201	25,593	7,098	1,294	–	46,186
Other assets	330	25	–	–	–	355
Total	**$98,134**	**$222,071**	**$90,148**	**$75,844**	**$41,909**	**$528,106**
Liabilities						
Provision for unpaid claims	$73,951	$196,439	$61,590	$18,731	–	$350,711
Premiun Stabilization Fund	4,861	11,132	–	–	–	15,993
Accounts payable and accrued liabilities	6,095	–	–	–	–	6,095
Total	**$84,907**	**$207,571**	**$61,590**	**$18,731**	**–**	**$372,799**

Market and interest rate risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Due to the nature of the Combined Fund's business, invested assets and insurance liabilities as well as revenues and expenses are impacted by movements in capital markets, interest rates, and to a lesser extent, foreign currency exchange rates. Accordingly, the Combined Fund considers these risks together in managing its asset and liability positions and ensuring that risks are properly addressed. These risks are referred to collectively as market price and interest rate risk – the risk of loss resulting from movements in market price, interest rates, credit spreads and foreign currency rates.

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Combined Fund is exposed to interest rate price risk on monetary financial assets and liabilities that have a fixed interest rate and is exposed to interest rate cash flow risk on monetary financial assets and liabilities with floating interest rates that are reset as market rates change.

For held for trading assets and other financial assets supporting actuarial liabilities, the Combined Fund is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows under unfavourable interest environments. The estimated impact on the Combined Fund of an immediate parallel increase of 1% in interest rates as at December 31, 2008, across the yield curve in all markets, would be a decrease in net investment income of $9,903 and a decrease in net claims and adjustment expenses of $9,975; and conversely, an immediate 1% parallel decrease in interest rates would result in an estimated increase in net investment income of $10,621 and an increase in net claims and adjustment expenses of $10,701.

Bonds designated as available for sale generally do not support actuarial liabilities. Changes in fair value of available for sale fixed income securities are recorded to surplus. For the Combined Fund's available for sale fixed income securities, an immediate 1% parallel increase in interest rates at December 31, 2008, across the entire yield curve, would result in an estimated after-tax decrease in surplus of $6,257. Conversely, an immediate 1% parallel decrease in interest rates would result in an estimated after-tax increase in surplus of $7,207.

Market price and interest rate risk is managed through established policies and standards of practice that limit market price and interest rate risk exposure. Combined Fund-wide market price and interest rate risk limits are established and actual positions are monitored against limits. Target asset mixes, term profiles, and risk limits are updated regularly and communicated to portfolio managers. Actual asset positions are periodically rebalanced to within established limits.

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Combined Fund's equities are designated as available for sale and generally do not support actuarial liabilities. Assuming all other variables held constant, an immediate 10% increase in stock prices at December 31, 2008 would result in an estimated after-tax increase in surplus of $2,922; and conversely, an immediate 10% decrease in stock prices would result in an estimated after-tax decrease in surplus of $2,922.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, in particular when an asset and liability mismatch exists in a different currency than the currency in which they are measured. While a substantial majority of the investment portfolio is invested in Canadian dollar-denominated fixed income securities, during the year ended December 31, 2008, less than 9% of the portfolio was invested in equities (2007 – 9%), with approximately half of the equities portfolio held in foreign denominated securities (2007 – 55%). As the Combined Fund does not hold significant liabilities in foreign currencies, the resulting currency risk is borne by the Combined Fund and forms part of its overall investment income.

The Combined Fund also manages possible excessive concentrations of risk. Excessive concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Combined Fund's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Combined Fund applies specific policies on maintaining a diversified portfolio. Identified risk concentrations are managed accordingly.

The following table summarizes the carrying amounts of financial instruments as at December 31, 2008 by geographical location of the issuer:

	Fixed Income Securities	Equities	Total	% of Total
Canada	$418,502	$19,701	$438,203	95.2%
U.S.	–	10,667	10,667	2.3%
Japan	–	2,548	2,548	0.6%
United Kingdom	–	1,445	1,445	0.3%
Others	–	7,548	7,548	1.6%
Total	**$418,502**	**$41,909**	**$460,411**	**100%**

14. Capital Management

Capital is comprised of LAWPRO's shareholder equity and the Fund's surplus. As at December 31, 2008, the Company's shareholder equity was $133,879 (2007 – $135,820) and the Fund's surplus was $28,066 (2007 – $31,085). The Combined Fund's objectives when managing capital are to maintain financial strength and protect its claims-paying abilities, to maintain creditworthiness and to maximize returns for stakeholders over the long term. Senior management develops the capital strategy and oversees the capital management processes of the Combined Fund. Capital is managed using both regulatory capital measures and internal metrics.

FSCO, the Company's primary insurance regulator, along with other provincial insurance regulators, regulate the capital required in the Company using two key measures, i.e., Minimum Capital Test ("MCT") and the Dynamic Capital Adequacy Test ("DCAT"). The minimum solvency ratio targeted by the Company is 175%, which is higher than the regulatory MCT requirement of 150%. To monitor current and future capital requirements, the Company's appointed actuary models the Company's expected financial position under various adverse scenarios. The appointed actuary must present both an annual report and the DCAT report to management and the Audit Committee. During the year ended December 31, 2008, the Company complied with the various provincial regulators' guidelines and as at December 31, 2008, the Company has an MCT ratio of 219% (2007 – 238%).

A common measure of capital adequacy in the property and casualty industry used by management is the ratio of net premiums to surplus (or shareholder's equity). The higher the ratio, the greater the potential risk borne by the Combined Fund in relation to the surplus available to absorb loss variations. The net premiums written to surplus ratio of the Combined Fund as at December 31, 2008 was 0.53 (2007 – 0.55).

The Combined Fund may use reinsurance to manage its capital position.

LIBRARYCO INC.

Management Discussion and Analysis

LibraryCo Inc. is mandated to carry on the central management of the Ontario County and District Law Library system on a not-for-profit basis. LibraryCo is financed by lawyers' annual fees remitted by the Law Society of Upper Canada and grants from the Law Foundation of Ontario.

Results of Operations

Results for the 2008 year identify a surplus of $57,988, compared to a deficit of $111,299 in 2007. The surplus is attributable to an increase in grant revenue, lower head office expenses and reductions to the capital and special needs grants.

Total revenues increased from $8.2 million in 2007 to $8.7 million in 2008 due to an increase in the grant from the Law Society. Total expenses experienced a similar increase from $8.3 million to $8.6 million with increases mainly in electronic products and grants to the county libraries.

Balance Sheet

Cash and short-term investments

Cash and near cash balances at $1.1 million are $128,000 lower than 2007 primarily because of deferred revenue, as a portion of the Law Foundation of Ontario funding for the 2008 year was received in December 2007. The short-term investment is a GIC of $600,000 maturing in September 2009 but cashable without penalty.

Deferred revenue

There is no deferred revenue for the 2008 year. Deferred revenue of $212,500 in 2007 arose as Law Foundation of Ontario funding for 2008 was received in advance.

General Fund

The General Fund ended the year with a balance of $170,052 (2007 – Nil) after the surplus for the year and a transfer from the Reserve Fund.

Reserve Fund

In accordance with a 2007 board resolution, the Reserve Fund will be maintained at a minimum of $500,000, comprising a general component of $200,000, a capital and special needs component of $150,000, and a staffing and severance component of $150,000. Any expenses of this Fund that would reduce the Fund Balance below $500,000 should be replenished in the following year. The Reserve Fund ended the year with a balance of $885,388 (2007 – $997,452) after a transfer to the General Fund to finance special grants to county libraries.

Statement of Revenues and Expenses

Revenues

Law Society of Upper Canada grant

This is the lawyer-based fee totalling $7.7 million in 2008 (2007 – $7.2 million) that is transferred to LibraryCo from the Law Society. The 2008 County Library Levy collected by the Law Society was $235 per lawyer (2007 – $224). The increase in the levy was necessary due to the increases in costs, particularly publishing costs.

Law Foundation of Ontario grant

The 2008 Law Foundation of Ontario grant of $954,000 was $30,000 less than 2007 because the Virtual Reference Service was discontinued, although this was slightly offset by revenue for computer upgrades. Grants funded electronic resources and computer upgrades.

Expenses

Salaries & administration

These expenses decreased from $579,532 in 2007 to $514,312 in 2008 as a result of lower salaries expenses (2008 – $93,000, 2007 – $221,000). Salaries expenses for 2007 included termination costs for certain employees. This decrease was offset by a full year of fees for administrative services as the related agreement commenced in March 2007.

Other expenses – head office / administration

Other expenses include printing and stationery, insurance and board expenses. At $33,684, they are $44,000 lower than in 2007 as board expenses are lower and no depreciation costs were incurred in 2008 as LibraryCo had no capital assets.

Electronic products and services

Electronic products and services expenditures at $1.8 million for the year are nearly $125,000 higher than 2007 due to increases in publishing costs.

Computers

These are grants provided to assist the county libraries with replacing and upgrading aging computers and related accessories.

Other expenses – County and District Law Libraries

Other library-related expenses include staff and travel, Conference for Ontario Law Associations' Libraries ("COLAL") and County and District Law Presidents' Association ("CDLPA") Library Committee meetings, and bulk purchase publications for the library system. The reduction from $179,000 in 2007 to $155,000 in 2008 is mainly attributable to the discontinuation of the virtual reference service.

County and District Law Libraries – grants

The remittances by LibraryCo to the county libraries totalled $5.7 million in 2008, compared to $5.3 million in 2007, based on approved increases in budgets and special payments related to staffing at county law libraries.

Statement of Changes in Fund Balances

An analysis of the Statement of Changes in Fund Balances is provided in the Balance Sheet section above.

LIBRARYCO INC.

Auditors' Report

To the Shareholders of LibraryCo Inc.

We have audited the balance sheet of LibraryCo. Inc. as at December 31, 2008 and the statements of revenues and expenses, changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 20, 2009

LIBRARYCO INC.

Balance Sheet

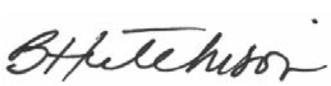
Stated in dollars
As at December 31

	2008	2007
Assets		
Current assets		
Cash and short-term investments	**1,094,802**	1,222,971
Accounts receivable	**16,803**	41,469
Prepaid expenses	**12,046**	10,866
Total Assets	**1,123,651**	1,275,306
Liabilities, Share Capital and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	**68,011**	65,154
Deferred revenue	**–**	212,500
Total Liabilities	**68,011**	277,654
Share Capital and Fund Balances		
Share capital (note 4)	**200**	200
General fund	**170,052**	–
Reserve fund (note 2)	**885,388**	997,452
Total Share Capital and Fund Balances	**1,055,640**	997,652
Total Liabilities, Share Capital and Fund Balances	**1,123,651**	1,275,306

See accompanying notes

On behalf of the Board of Directors

Chair – Board of Directors



Chair – Audit and Finance Committee

LIBRARYCO INC.

Statement of Revenues and Expenses

Stated in dollars for the year ended December 31

	2008	2007
Revenues		
Law Society of Upper Canada grant	**7,691,092**	7,164,196
Law Foundation of Ontario grant	**953,689**	983,825
Interest income	**27,970**	25,829
Total revenues	**8,672,751**	8,173,850
Expenses		
Head office/administration		
Salaries and administration	**514,312**	579,532
Professional fees	**30,212**	40,404
Other (note 6)	**33,684**	77,589
Total head office / administration expenses	**578,208**	697,525
County and District Law Libraries – centralized purchases		
Electronic products and services	**1,817,110**	1,693,253
Group benefits	**244,105**	266,759
Computers	**103,689**	86,021
Other (note 7)	**155,289**	178,603
	2,320,193	2,224,636
County and District Law Libraries – grants (note 9)	**5,703,396**	5,321,085
Capital and special needs grants	**12,966**	41,903
Total County and District Law Libraries expenses	**8,036,555**	7,587,624
Total expenses	**8,614,763**	8,285,149
Excess of revenues over expenses (expenses over revenues)	**57,988**	(111,299)

See accompanying notes

LIBRARYCO INC.

Statement of Changes in Fund Balances

Stated in dollars for the year ended December 31

	2008			2007
	General Fund	Reserve Fund	**Total**	Total
Balance, beginning of year	–	997,452	**997,452**	1,108,751
Excess of revenues over expenses (expenses over revenues)	57,988	–	**57,988**	(111,299)
Transfer from Reserve Fund – Special grant to County and District Law Libraries (note 9)	112,064	(112,064)	**–**	–
Balances, end of year	170,052	885,388	**1,055,440**	997,452

See accompanying notes

LIBRARYCO INC.

Statement of Cash Flows

Stated in dollars for the year ended December 31

	2008	2007
Net (outflow) inflow of cash related to operating activities:		
Excess of (expenses over revenues) revenues over expenses	**57,988**	(111,299)
Items not affecting cash:		
Amortization of capital assets	**–**	1,419
Write-off of capital assets	**–**	6,478
Net change in non-cash operating working capital items:		
Accounts receivable	**24,666**	6,408
Prepaid expenses	**(1,180)**	4,278
Accounts payable and accrued liabilities	**2,857**	15,925
Deferred revenue	**(212,500)**	212,500
Cash provided by (used in) operating activities	**(128,169)**	135,709
Cash and short-term investments, beginning of year	**1,222,971**	1,087,262
Cash and short-term investments, end of year	**1,094,802**	1,222,971

See accompanying notes

LIBRARYCO INC.

Notes to Financial Statements

Stated in whole dollars except where indicated
For the year ended December 31, 2008

1. General

LibraryCo Inc. ("the organization") was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding from the Law Society of Upper Canada ("the Society"). The organization was initially incorporated under the *Business Corporations Act* of Ontario in 2001.

The organization has two classes of shares: Common shares and Special shares. The Society holds all of the 100 Common shares outstanding. Of the 100 Special shares outstanding, 25 are held by the Toronto Lawyers Association ("TLA") and 75 are held by the County and District Law Presidents' Association ("CDLPA"). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director.

The organization is not subject to income or capital taxes because it is a not-for-profit corporation.

Under an Administrative Services Agreement, the Society assumed most of the administrative functions of the organization in 2007.

2. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with the accounting standards for non-profit organizations published by the Canadian Institute of Chartered Accountants ("CICA"), using the restricted fund method of reporting contributions.

The General Fund accounts for the delivery, management and administration of library services. The Reserve Fund is restricted for specific purposes as periodically determined and approved by the Board of Directors.

Cash and short-term investments

Cash and short-term investments are amounts on deposit and invested in short-term (less than one year) investment vehicles according to the organization's investment policy.

Reserve Fund

The Reserve Fund is maintained to assist the organization's cash flows and act as a contingency fund. In accordance with a board resolution, the fund will be maintained at a minimum of $500,000, comprising a general component of $200,000, a capital and special needs component of $150,000, and a staffing and severance component of $150,000. Any expenses of this fund that would reduce the fund balance below $500,000, should be replenished in the following year. As at December 31, 2008, the balance was $885,388 (2007 – $997,452).

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Reserve Fund.

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Financial Instruments

Under the standards for recognizing and measuring financial instruments, all financial assets are classified into one of the following four categories: held for trading, held to maturity, loans and receivables or available for sale. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The organization's financial assets and financial liabilities are classified and measured as follows:

Asset / Liability	Category	Measurement
Cash and short-term investments	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The other amounts noted on the Balance Sheet are not financial instruments.

The organization has not entered into any derivative transactions. In addition, the organization's contractual arrangements do not have any embedded features.

4. Share Capital

Authorized

Unlimited number of Common shares

Unlimited number of Special shares

Issued	2008	2007
100 Common shares	**100**	100
100 Special shares	**100**	100
	200	200

5. Related Party Transactions

The Society provides administrative services to the organization (note 1) as well as certain other services and publications. The total amount billed by the Society for 2008 was $591,847 (2007 – $410,297). Included in accounts payable are amounts due to the Society of $52,932 (2007 – $42,898).

6. Other Expenses – Head Office/Administration

Included in these expenses are costs associated with administration by the Society, directors and officers insurance, board of directors' meetings and other miscellaneous items.

7. Other Expenses – County and District Law Libraries – Centralized Purchases

Included in these expenses are costs associated with staffing and travel, document delivery, publications, committee meetings, and miscellaneous items.

8. Contingencies and Guarantees

In the normal course of business, the organization enters into agreements that meet the definition of a guarantee. The organization's primary guarantees are as follows:

a) Indemnity has been provided to all directors and/or officers of the organization for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the organization, subject to certain restrictions. The organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the organization. The maximum amount of any potential future payment cannot be reasonably estimated.

b) In the normal course of business, the organization has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, engagement letters with advisors and consultants, information technology agreements and service agreements. These indemnification agreements may require the organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability that stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

9. County and District Law Library Grants

These grants represent the quarterly distribution of funds to the 48 County and District Law Libraries. Included in the grants are special payments funded from the Reserve Fund to Carleton of $106,064 and Peterborough of $6,000. The grants are distributed in accordance with policies and procedures established by the organization's board of directors.

The following individual law association grants were distributed by the organization during 2008 and 2007:

	2008	2007
Algoma District Law Association	**$ 118,244**	$ 113,944
Brant Law Association	**88,831**	73,238
Bruce Law Association	**48,184**	45,918
Carleton Law Association	**649,664**	558,836
Cochrane Law Association	**43,330**	34,272
Dufferin Law Association	**49,489**	47,149
Durham County Law Association	**116,061**	113,823
Elgin Law Association	**68,167**	64,447
Essex Law Association	**252,602**	235,496
Frontenac Law Association	**129,120**	128,302
Grey Law Association	**58,144**	56,047
Haldimand Law Association	**26,658**	25,219
Halton Law Association	**115,821**	112,418
Hamilton Law Association	**395,125**	368,886
Hastings Law Association	**75,810**	72,490
Huron Law Association	**65,876**	63,477
Kenora Law Association	**77,841**	74,956
Kent Law Association	**63,284**	60,440
Lambton County Law Association	**62,380**	53,294
Lanark Law Association	**35,210**	22,623
Leeds & Grenville Law Association	**64,053**	62,713
Lennox & Addington Law Association	**23,914**	23,258
Lincoln Law Association	**151,097**	143,358
Manitoulin Law Association	**6,556**	6,365
Middlesex Law Association	**315,125**	295,187
Muskoka Law Association	**48,978**	42,231
Nipissing Law Association	**70,466**	69,178
Norfolk Law Association	**62,869**	60,409
Northumberland County Law Association	**68,601**	60,206
Oxford Law Association	**66,164**	63,492
Parry Sound Law Association	**30,856**	27,486
Peel Law Association	**255,088**	244,806
Perth Law Association	**47,044**	53,668
Peterborough Law Association	**99,298**	94,620
Prescott & Russell Law Association	**8,104**	4,726
Rainy River Law Association	**24,907**	24,182
Renfrew County Law Association	**111,148**	99,661
Simcoe Law Association	**125,492**	119,400
Stormont, Dundas & Glengarry Law Association	**63,402**	63,879
Sudbury District Law Association	**165,451**	158,865
Temiskaming Law Association	**38,886**	43,379
Thunder Bay Law Association	**146,226**	135,776
Toronto Lawyers Association	**524,106**	507,979
Victoria Haliburton Law Association	**74,650**	71,482
Waterloo Law Association	**213,538**	205,379
Welland Law Association	**83,806**	76,903
Wellington Law Association	**67,563**	61,520
York Region Law Association	**206,167**	175,702
	$5,703,396	$5,321,085

Osgoode Hall
130 Queen Street West
Toronto, Ontario
M5H 2N6

416-947-3300
1-800-668-7380

www.lsuc.on.ca