



TAB 9

**Report to Convocation
May 28, 2015**

Audit & Finance Committee

Committee Members

Christopher Bredt (Co-Chair)

Peter Wardle (Co-Chair)

Susan Elliott (Vice Chair)

John Callaghan

Seymour Epstein

Michelle Haigh

Vern Krishna

Judith Potter

James Scarfone

Alan Silverstein

Catherine Strosberg

Purpose of Report: Information

**Prepared by the Finance Department
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COMMITTEE PROCESS

1. The Audit & Finance Committee (“the Committee”) met on May 13, 2015. Committee members in attendance were Chris Bredt (co-chair), Peter Wardle (co-chair), Seymour Epstein, Michelle Haigh, Vern Krishna, Judith Potter (phone), Alan Silverstein and Catherine Strosberg.
2. Also in attendance were Peter Beach, Paul Cooper, Bob Evans, Rocco Galati, Michael Lerner, Raj Sharda, Andrew Spurgeon and Anne Vesprey.
3. Law Society staff in attendance: Robert Lapper, Wendy Tysall, Fred Grady and Andrew Cawse.

TAB 9.1

FOR INFORMATION

LAW SOCIETY OF UPPER CANADA FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015

4. The Audit & Finance Committee recommends that Convocation receive the financial statements of the Law Society for the first quarter of 2015 for information.
5. Supplemental schedules include Schedules of Revenues and Expenses for the Lawyer and Paralegal General Funds, the Compensation Fund and the Errors and Omissions Insurance Fund.

Law Society of Upper Canada Financial Statements
For the three months ended March 31, 2015

Financial Statement Highlights

6. The Lawyer General Fund shows a surplus of \$2.2 million at the end of the first quarter of 2015, compared to a surplus of \$2 million for the same period of 2014. The Paralegal General Fund generated a surplus of \$481,000 at the end of the first quarter of 2015 compared to surplus of \$321,000 in the prior year. The 2015 budget planned deficits in the General Funds, allocating \$641,000 from the General Fund accumulated surplus to mitigate a fee increase for lawyers and \$541,000 to mitigate a fee increase for paralegals.

7. The main factors in the operating performance are:

- continuing professional development revenues have exceeded budget and last year's comparatives
- licensing process revenues have exceeded budget
- all major expense lines are under budget.

While some variances from budget are attributable to timing differences, it is still too early to say whether this will be representative of the remainder of the year.

8. The Law Society's restricted funds report a deficit of \$2.8 million (2014 - \$1.5 million). The deficit primarily comprises:

- \$1.9 million in the Compensation Fund after an increase in the provision for grants
- \$461,000 in the E&O Fund because of the prorated amount of \$600,000 of the total \$2.5 million expected to be drawn from the available surplus in the E&O Fund and applied to LAWPRO's 2015 insurance premium
- amortization of \$882,000 in the Invested in Capital Assets Fund.

9. The 2015 budget planned deficits in the Compensation Fund, allocating \$707,000 from the accumulated surplus in the lawyer Compensation Fund and \$77,000 from the paralegal Compensation Fund to mitigate fee increases.

Balance Sheet

10. At this time of year, the primary components of current assets are accounts receivable - annual fees, insurance premiums and licensing process fees; and prepaid expenses - annual E&O insurance premiums paid or payable for the year, which are expensed over the full year. The primary components of current liabilities are deferred revenue - annual fees, licensing process revenues, insurance premiums and levies which are recognized over the full year. Fluctuations in these amounts depend on the numbers of licensees and candidates, the amount of fees and premiums and the timing of transactions.
11. The amount due to LAWPRO will decline by year-end as insurance premiums and levies collected are paid to LAWPRO.
12. The investment in subsidiaries represents the 100% ownership of LAWPRO totaling \$35.6 million and the 100% ownership of LibraryCo totaling \$200.
13. Portfolio investments are shown at fair value of \$73 million compared to \$78 million at the same time last year, declining because of a capital withdrawal from the E&O Fund portfolio over the 12 month period to mitigate insurance premium increases for lawyers.
14. The provision for unpaid grants of \$23.5 million (2014 - \$10.9 million) represents the estimate for unpaid claims and inquiries against the Compensation Fund, supplemented by the costs for processing these claims. This increase is attributable to some large alleged defalcations on the part of certain licensees. The Compensation Fund describes a major defalcation as being over 35 claims arising from the conduct of one licensee in a single year and the Fund currently has two of these major defalcations. Most of these claims are still being evaluated and in some instances related investigations are still ongoing. The paralegal Compensation Fund provision for unpaid grants comprises \$246,000 of the total Compensation Fund provision for unpaid grants.
15. The Law Society Act permits a member who has dormant trust funds, to apply for permission to pay the money to the Law Society. Money paid to the Law Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are

entitled to the capital amount. At the end of March, unclaimed money held in trust amounts to \$3.9 million (2014 - \$3.3 million).

16. The operating surpluses in the lawyer and paralegal General Funds have increased the fund balances to \$20.7 million and \$3.4 million respectively, still within the parameters established by Convocation's fund balance administration policy. The lawyer Compensation Fund's deficit in the period of \$1.9 million continues to erode the lawyer Compensation Fund balance. While most of the claims attributable to the two major defalcations are still being evaluated, at the present time it appears the fund balance may fall below the minimum level which is required by Convocation's fund balance administration policy, approximately \$16 million, and an increase in the Compensation Fund levy in 2016 may be required.

Statement of Revenues and Expenses and Change in Fund Balances

17. The Lawyer General Fund generated a surplus of \$2.2 million at the end of the first quarter of 2015, compared to \$2 million in 2014. The 2015 budget incorporates the use of \$641,000 in annual funding from the Fund Balance to provide for a budgeted operating deficit. Actual use of funds is contingent on a deficit occurring. In addition, the 2015 budget incorporates the use of \$1.5 million in funding from surplus investment income in the E&O Fund which has been received during the second quarter.
18. The Paralegal General Fund generated a surplus of \$481,000 at the end of the first quarter of 2015 compared to a surplus of \$321,000 at the end of the first quarter of 2014. The 2015 budget incorporates the use of \$541,000 in annual funding from the Fund Balance to provide for a budgeted operating deficit. Actual use of funds is contingent on a deficit occurring.
19. The Law Society's restricted funds report a deficit of \$2.8 million. This is primarily comprised of deficits of \$1.9 million in the Lawyer Compensation Fund and \$461,000 in the E&O Fund. The Compensation Fund's adverse claims experience in 2014 continues into 2015. The E&O Fund deficit is anticipated as a result of Convocation approving the use of \$2.5 million from the E&O Fund balance to reduce the insurance levy otherwise required for payment of the LAWPRO insurance premium in 2015.

20. Annual fee revenue is recognized on a monthly basis. Annual fees recognized in the first quarter of \$18.5 million have increased by \$187,000 due to an increase in the number of full-fee-paying licensees, the lawyer and paralegal annual fee was the same as 2014.
21. LAWPRO's base premium (\$3,350) has not changed from 2014, leading to relatively static E&O Fund premium and levy revenue although an increase in insured members is projected.
22. Lawyer licensing process revenues of \$2.7 million have decreased slightly by \$200,000 compared to last year but is over budget by a similar amount. The total Licensing Process fee including the fees for the initial application, the Barrister and Solicitor Licensing Examinations and the Call to the Bar, is \$4,710, unchanged from last year.
23. Continuing professional development revenues of \$1.8 million have increased by \$200,000 compared to last year and exceed budget by a similar amount. It is still too early to assess trends in registration and the ratio of nominal fee programs to the traditional fee generating programs.
24. Paralegal licensing process revenues of \$569,000 are slightly exceeding 2014 levels and budget.
25. Total regulatory expenses of \$6.8 million are much the same as the same period last year and are under budget by \$525,000. It is still early in the year and most departments and expense categories are contributing to the positive budget variance, in particular some unfilled staff positions. There are currently some potentially material cost award claims against the Law Society which are too uncertain to accrue in the financial statements.
26. Total professional development and competence expenses have increased from \$5.9 million to \$6.3 million in the current year but are still under budget. The variances from the prior year and budget are spread over most departments and expense categories, in particular, operating expenses in the licensing process and continuing professional development areas.

27. Total corporate services expenses of \$5.4 million are much the same as 2014 and are \$300,000 under budget with the biggest contributors to this variance being in facilities, human resources and information systems. The current projections are for the costs of litigation involving TWU to exceed budget. The application for judicial review of the Law Society's decision to not accredit TWU is currently scheduled to be heard June 1 to June 4, 2015.
28. At March 31, 2015, Convocation, outreach and policy expenses totaled \$1.7 million, 30% less than budget attributable to variances in benchers expense and the budgeted contingency of \$1 million is unused to date. The Society has received a \$400,000 grant from the Law Foundation of Ontario funding the development and delivery of Access to Justice initiatives.
29. The Compensation Fund experienced an abnormally high claims experience in 2014 and this experience continues in the first quarter of 2015 with total Compensation Fund expenses increasing by \$1.4 million from the first quarter of 2014, substantially reflecting the change in the balance sheet provision for unpaid grants. The provision is adjusted monthly based on the number of new inquiries and open claims and cases closed.

General Fund – Lawyers & Paralegals – Schedule of Revenues and Expenses
Budget to Actual Comparison

30. In addition to the summaries below, actual to budget variances are also discussed in the analysis above.

Revenues:

31. Annual fees are slightly under budget. Ultimately, any variance will depend on new members called to the bar during the year.
32. Continuing professional development and licensing process revenues are exceeding budget but it is still too early to assess trends in CPD registration and the ratio of nominal-fee programs to paid programs. CPD revenues in 2015 were budgeted at \$800,000 less than 2014 to reflect trends in that year.

Expenses:

33. Most major expense categories are under budget, although it is still early in the year and most variances are likely attributable to timing differences rather than permanent savings.

The Errors and Omissions Insurance (E&O) Fund

34. The E&O Fund accounts for the mandatory professional liability insurance program of the Law Society which is administered by LAWPRO. The insurance premium expense, as well as related levies and income from their investment are tracked within this fund. The Law Society is insured for lawyers' professional liability and recovers annual premium costs from lawyers through a combination of annual base levies and additional levies that are charged based on a lawyer's claims history, status, and real estate and litigation levies. The fund is reporting a deficit of \$461,000 (2014 - \$1 million) as expected due to the use of \$2.5 million (2014 - \$5 million) of the fund balance to mitigate the base insurance levy for lawyers.

The Compensation Fund

35. The Compensation Fund is reporting a deficit of \$1.9 million in the first quarter of 2015, continuing the adverse financial results in the full 2014 financial year when a deficit of \$10 million was reported after the fund received claims relating to two alleged large-scale defalcations which continue to develop in 2015. The provision for unpaid grants for lawyers increased by \$2.6 million in the first quarter of 2015, well above the historical normal new claims of approximately \$2 million per year. Most of these claims are still being evaluated but at the present time it appears likely the fund balance may fall below the minimum level which is required by Convocation's policy and an increase in the Compensation Fund levy in 2016 may be required.

THE LAW SOCIETY OF UPPER CANADA

Balance Sheet

Unaudited

Stated in thousands of dollars

As at March 31

	2015	2014
Assets		
Current Assets		
1 Cash	34,276	33,618
2 Short-term investments	47,220	41,378
3 Cash and short-term investments	81,496	74,996
4 Accounts receivable	52,988	53,872
5 Prepaid expenses	84,342	85,417
6 Total current assets	218,826	214,285
7 Investment in subsidiaries	35,642	35,642
8 Portfolio investments	73,226	78,069
9 Capital assets	11,667	12,836
10 Total Assets	339,361	340,832
Liabilities and Fund Balances		
Current Liabilities		
11 Accounts payable and accrued liabilities	8,888	6,070
12 Deferred revenue	128,003	125,829
13 Due to LAWPRO	57,549	60,338
14 Total current liabilities	194,440	192,237
15 Provision for unpaid grants/claims	23,548	10,899
16 Unclaimed trust funds	3,896	3,262
17 Total Liabilities	221,884	206,398
Fund Balances		
General funds		
18 Lawyers	20,737	17,402
19 Paralegals	3,455	2,203
Restricted funds		
20 Compensation - lawyers	13,693	25,804
21 Compensation - paralegals	436	498
22 Errors and omissions insurance	57,844	64,032
23 Capital allocation	8,377	9,923
24 Invested in capital assets	11,667	12,836
24 County libraries	(22)	(3)
25 Other	1,290	1,739
26 Total Fund Balances	117,477	134,434
27 Total Liabilities and Fund Balances	339,361	340,832

THE LAW SOCIETY OF UPPER CANADA

Statement of Revenues and Expenses and Change in Fund Balances

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015	2014	2015	2014	2015	2014	2015	2014
	General Fund Lawyer		General Fund Paralegal		Restricted Funds		Total	
Revenues								
1 Annual fees	12,343	12,201	960	959	5,205	5,161	18,508	18,321
2 Insurance premiums and levies	-	-	-	-	25,470	24,923	25,470	24,923
3 Professional development and competence	4,508	4,515	819	692	-	-	5,327	5,207
4 Investment income	221	383	21	32	742	1,413	984	1,828
5 Other	2,884	2,245	335	195	46	31	3,265	2,471
6 Total revenues	19,956	19,344	2,135	1,878	31,463	31,528	53,554	52,750
Expenses								
7 Professional regulation, tribunals and compliance	6,212	6,440	588	533	-	-	6,800	6,973
8 Professional development and competence	5,779	5,404	559	506	-	-	6,338	5,910
9 Corporate services	4,967	4,641	458	399	-	-	5,425	5,040
10 Convocation, policy and outreach	1,594	1,711	130	135	-	-	1,724	1,846
11 Services to members and public	915	954	54	55	-	-	969	1,009
12 Allocated to Compensation Fund	(1,689)	(1,843)	(135)	(71)	-	-	(1,824)	(1,914)
13 Restricted (schedule of restricted funds)	-	-	-	-	34,247	33,007	34,247	33,007
14 Total expenses	17,778	17,307	1,654	1,557	34,247	33,007	53,679	51,871
15 Surplus (Deficit)	2,178	2,037	481	321	(2,784)	(1,479)	(125)	879
16 Fund balances, beginning of year	18,507	21,410	2,974	1,882	96,121	110,263	117,602	133,555
17 Interfund transfers	52	(6,045)	-	-	(52)	6,045	-	-
18 Fund balances, end of period	20,737	17,402	3,455	2,203	93,285	114,829	117,477	134,434

Convocation - Audit and Finance Committee Report

THE LAW SOCIETY OF UPPER CANADA

Schedule of Restricted Funds

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015							2014	
	Compensation Fund		Errors and omissions insurance	Capital allocation	Invested in capital assets	County libraries	Other restricted	Total Restricted funds	Total
	Lawyer	Paralegal							
1 Fund balances, beginning of year	15,618	426	58,305	8,096	12,549	-	1,127	96,121	110,263
Revenues									
2 Annual fees	2,119	150	-	734	-	1,902	300	5,205	5,161
3 Insurance premiums and levies	-	-	25,470	-	-	-	-	25,470	24,923
4 Investment income	410	-	332	-	-	-	-	742	1,413
5 Other	(18)	36	-	28	-	-	-	46	31
6 Total revenues	2,511	186	25,802	762	-	1,902	300	31,463	31,528
Expenses									
7 Allocated expenses	1,689	135	-	-	-	-	-	1,824	1,914
8 Provision for grants	2,621	28	-	-	-	-	-	2,649	1,026
9 Direct expenses	126	13	26,263	483	882	1,924	83	29,774	30,067
10 Total expenses	4,436	176	26,263	483	882	1,924	83	34,247	33,007
11 (Deficit) Surplus	(1,925)	10	(461)	279	(882)	(22)	217	(2,784)	(1,479)
12 Interfund transfers	-	-	-	2	-	-	(54)	(52)	6,045
13 Fund balances, end of period	13,693	436	57,844	8,377	11,667	(22)	1,290	93,285	114,829

THE LAW SOCIETY OF UPPER CANADA
Lawyers and Paralegals General Fund
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015 Actual	Budget YTD	Variance
REVENUES			
1 Annual fees	13,303	13,567	(264)
2 Professional development and competence	5,327	4,694	633
3 Investment income	242	213	29
4 Ontario reports revenue	516	543	(27)
5 Other	2,703	1,798	905
6 Total revenues	22,091	20,815	1,276
EXPENSES			
7 Professional regulation, tribunals and compliance	6,800	7,325	525
8 Professional development and competence	6,338	6,995	657
9 Corporate services	5,425	5,784	359
10 Convocation, policy and outreach	1,724	2,529	805
11 Services to members and public	969	1,048	79
12 Allocated to Compensation Fund	(1,824)	(1,963)	(139)
13 Total expenses	19,432	21,718	2,286
14 Surplus (Deficit)	2,659	(903)	3,562

THE LAW SOCIETY OF UPPER CANADA
General Fund - Lawyers
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015 Actual	Budget YTD	Variance
REVENUES			
1 Annual fees	12,343	12,632	(289)
2 Professional development and competence	4,508	4,070	438
3 Investment income	221	195	26
4 Ontario reports revenue	484	511	(27)
5 Other	2,400	1,695	705
6 Total revenues	19,956	19,103	853
EXPENSES			
7 Professional regulation, tribunals and compliance	6,212	6,705	493
8 Professional development and competence	5,779	6,278	499
9 Corporate services	4,967	5,256	289
10 Convocation, policy and outreach	1,594	2,368	774
11 Services to members and public	915	991	76
12 Allocated to Compensation Fund	(1,689)	(1,816)	(127)
13 Total expenses	17,778	19,782	2,004
14 Surplus (Deficit)	2,178	(679)	2,857

THE LAW SOCIETY OF UPPER CANADA
General Fund - Paralegals
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015 Actual	Budget YTD	Variance
REVENUES			
1 Annual fees	960	935	25
2 Professional development and competence	819	624	195
3 Investment income	21	18	3
4 Ontario reports revenue	32	32	-
5 Other	303	103	200
6 Total revenues	2,135	1,712	423
EXPENSES			
7 Professional regulation, tribunals and compliance	588	620	32
8 Professional development and competence	559	717	158
9 Corporate services	458	528	70
10 Convocation, policy and outreach	130	161	31
11 Services to members and public	54	57	3
12 Allocated to Compensation Fund	(135)	(147)	(12)
13 Total expenses	1,654	1,936	282
14 Surplus (Deficit)	481	(224)	705

THE LAW SOCIETY OF UPPER CANADA**Compensation Fund****Schedule of Revenues and Expenses and Change in Fund Balances***Unaudited**Stated in thousands of dollars**For the three months ended March 31*

	2015			2014		
	Lawyers	Paralegals	Total	Lawyers	Paralegals	Total
Revenues						
1 Annual fees	2,119	150	2,269	2,206	164	2,370
2 Investment income	410	-	410	757	-	757
3 Recoveries	(18)	36	18	(1)	-	(1)
4 Total Revenues	2,511	186	2,697	2,962	164	3,126
Expenses						
5 Provision for unpaid grants	2,621	28	2,649	1,012	14	1,026
6 Spot audit	1,161	105	1,266	1,016	29	1,045
7 Share of investigation and discipline	488	27	515	509	18	527
8 Administrative	37	16	53	330	25	355
9 Salaries and benefits	129	-	129	121	-	121
10 Total Expenses	4,436	176	4,612	2,988	86	3,074
11 (Deficit) Surplus	(1,925)	10	(1,915)	(26)	78	52
12 Fund balances, beginning of year	15,618	426	16,044	25,829	419	26,248
13 Fund Balances, end of period	13,693	436	14,129	25,803	497	26,300

THE LAW SOCIETY OF UPPER CANADA
Errors and Omissions Insurance Fund
Schedule of Revenues and Expenses

Unaudited

Stated in thousands of dollars

For the three months ended March 31

	2015	2014
	Actual	Actual
REVENUES		
1 Insurance premiums and levies	25,470	24,923
2 Investment income	332	656
3 Other income	-	-
4 Total revenues	25,802	25,579
EXPENSES		
5 Administrative	-	-
6 Claims	168	(1)
7 Insurance	26,095	26,590
8 Total expenses	26,263	26,589
9 Deficit	(461)	(1,010)

TAB 9.2

FOR INFORMATION

INVESTMENT COMPLIANCE REPORTING

36. **Investment Compliance Statements as at March 31, 2015 are for information.**

**STATEMENT OF INVESTMENT COMPLIANCE
SHORT TERM
For the three months ended March 31, 2015**

Investment Parameters	Guidelines for Both	COMPENSATION FUND	GENERAL FUND
		Compliance	Compliance
1. <u>Asset Mix</u>			
Federal & provincial treasury bills	Allowed	Yes	Yes
Bankers acceptances	Allowed	Yes	Yes
Commercial paper	Allowed	Yes	Yes
Investment manager Money Market Fund	Allowed	Yes	Yes
Premium Savings Account	Allowed	Yes	Yes
FGP S/T Invest Fund	Allowed	Yes	Yes
2. <u>Quality Requirements</u>			
Commercial paper rating	Min. R1	N/A	N/A
Liquidity	Max. term to maturity of 365 days	Yes	Yes
3. <u>Quantity Restrictions</u>			
Commercial paper of a single corporate issuer	Max. 8% of Fund	Yes	Yes
4. <u>Other Restrictions</u>			
Equity securities	None	Yes	Yes
Direct investments in:			
resource properties	None	Yes	Yes
mortgages and mortgage-backed securities	None	Yes	Yes
real estate	None	Yes	Yes
venture capital financings	None	Yes	Yes
Derivatives	None	Yes	Yes



Fred Grady
Manager of Finance

**STATEMENT OF INVESTMENT COMPLIANCE
LONG TERM
For the three months ended March 31, 2015**

Investment Parameters	Guidelines	COMPENSATION	GENERAL	E & O
		FUND	FUND	FUND
		Compliance	Compliance	Compliance
1. <u>Asset Mix</u>				
Cash and Short-Term	0 - 15%	Yes	Yes	Yes
Equity investments	5 - 25%	Yes	Yes	Yes
Bonds	60 - 95%	Yes	Yes	Yes
2. <u>Quality Requirements</u>				
Bonds	Min. BBB	Yes	Yes	Yes
3. <u>Quantity Restrictions</u>				
Equities:				
single holding	Max. 10%	Yes	Yes	Yes
weight in portfolio > weight in S&P/TSX Composite Index	Varies	Yes	Yes	Yes
derivatives etc.	None	Yes	Yes	Yes
Non-Canadian	None	Yes	Yes	Yes
Bonds:				
single security or issuer (non-government)	Max. 10%	Yes	Yes	Yes
corporate issues	Max 50%	Yes	Yes	Yes
provincial govt. issues	Max 60%	Yes	Yes	Yes
municipal issues	Max 10%	Yes	Yes	Yes
foreign issues	Max 10%	Yes	Yes	Yes
BBB issues	Max. 10%	Yes	Yes	Yes



Fred Grady
Manager of Finance

**The Law Society of Upper Canada
Compensation Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending March 31, 2015)**

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	60%	85%	95%	Y
Total Fixed Income	75%	85%	95%	Y
Canadian Equity	5%	15%	25%	Y
Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.				Y
Max. 10% in BBB rated bonds.				Y
Max. 100% in Government of Canada or Government of Canada guaranteed bonds.				Y
Max. 60% in Provincial government and Provincial government guaranteed bonds.				Y
Max. 10% in Municipal bonds.				Y
Max. 50% in Corporate issues.				Y
Max. 10% in non-Government issuers.				Y
Not more than 10% of the total market value of the bond portfolio will be invested in securities issued by a foreign issuer, or Canadian issuer in a foreign currency.				Y
Bond portfolio duration 1 to 5 years.				Y

Note: In mid June 2014 Law Society Compensation Fund moved into the FGP Short Term Bond Fund from the segregated Short Term Bonds.

Investment policy dated May 2014.

*If policy not complied with, comment on specifics.

APRIL 16/15
Date:


Stephen P. Copeland
Senior Vice President Investments
& Private Client Services

**The Law Society of Upper Canada
General Fund
Manager: Foyston, Gordon & Payne Inc.
Compliance Report
(Period ending March 31, 2015)**

1. Asset Mix:	Min.	Mid-Point	Max.	Compliance* (Y/N)
Cash & Short Term	0%	0%	15%	Y
Bonds	60%	85%	95%	Y
Total Fixed Income	75%	85%	95%	Y
Canadian Equity	5%	15%	25%	Y
Minimum bond rating "BBB" or better by the Dominion Bond Rating Service or equivalent rating by another recognized bond rating service.				Y
Max. 10% BBB rated bonds.				Y
Max. 100% in Government of Canada or Government of Canada guaranteed bonds.				Y
Max. 60% in Provincial government and Provincial government guaranteed bonds.				Y
Max. 10% in Municipal bonds.				Y
Max. 50% in Corporate issues.				Y
Max. 10% in non-Government issuers.				Y
Not more than 10% of the total market value of the bond portfolio will be invested in securities issued by a foreign issuer, or Canadian issuer in a foreign currency.				Y
Bond portfolio duration 1 to 5 years.				Y

Note: In mid June 2014 Law Society General Fund moved into the FGP Short Term Bond Fund from the segregated Short Term Bonds.

Investment policy dated May 2014.

*If policy not complied with, comment on specifics.

APRIL 16/15
Date:


Stephen P. Copeland
Senior Vice President Investments
& Private Client Services



April 2015

Ms. Wendy Tysall
Chief Financial Officer
Osgoode Hall
Finance Dept., 1st Floor
130 Queen Street West
Toronto, Ontario
M5H 2N6

Dear Wendy:

Re: Manager Compliance Reporting

For the Law Society of Upper Canada Errors and Omissions Insurance Fund, we wish to confirm that the portfolio being managed by Foyston, Gordon & Payne Inc. was in compliance with the Fund's Investment Policy Statement in effect (latest revision May 2014), for the quarter ending March 31, 2015.

Yours truly,

Stephen P. Copeland
Senior Vice President Investments
& Private Client Services