

# THE LAW SOCIETY OF BRITISH COLUMBIA

## MINUTES

- MEETING:** Benchers
- DATE:** Friday April 8, 2005
- PRESENT:**
- |  |                            |
|--|----------------------------|
| Ralston Alexander, QC, President                     | Margaret Ostrowski, QC     |
| Robert McDiarmid, QC, 1 <sup>st</sup> Vice-president | June Preston               |
| Anna Fung, QC 2 <sup>nd</sup> Vice-president         | Greg Rideout               |
| Joost Blom, QC                                       | Patricia Schmit, QC        |
| Robert Brun, QC                                      | Alan Seckel, QC, Deputy AG |
| Ian Donaldson, QC                                    | Grant Taylor, QC           |
| Gavin Hume, QC                                       | Gordon Turriff, QC         |
| John Hunter, QC                                      | Dr. Maelor Vallance        |
| William Jackson                                      | Art Vertlieb, QC           |
| Patrick Kelly  | James Vilvang, QC          |
| Terry La Liberté, QC                                 | Anne Wallace, QC           |
| Bruce LeRose   | Lilian To                  |
| Patrick Nagle  | David Zacks, QC            |
| Darrell O'Byrne, QC                                  |                            |
- NOT PRESENT:**
- |                  |                  |
|------------------|------------------|
| Michael Falkins  | Dirk Sigalet, QC |
| Carol Hickman    | Ross Tunnicliffe |
| Glen Ridgway, QC |                  |
- STAFF PRESENT:**
- |  |                 |
|--|-----------------|
| Sholto Heberton, QC, Acting Executive Director | David Newell    |
| Stu Cameron                                    | Denise Palmer   |
| Mary Ann Cummings                              | Neil Stajkowski |
| Charlotte Ensminger                            | Alan Treleaven  |
| Su Forbes, QC                                  | Ron Usher       |
| Jeffrey Hoskins                                | Adam Whitcombe  |
| Michael Lucas                                  |                 |
- GUESTS:**
- Associate Dean Robin Elliot, University of British Columbia
  - Dean Andrew Petter, University of Victoria
  - Meg Shaw, President-Elect, CBABC
  - Frank Kraemer, Executive Director, CBABC
  - Johanne Blenkin, Chief Librarian, BCCLS
  - Wayne Robertson, Executive Director, Law Foundation of BC.
  - Janice Mucalov, Lawyers Weekly

### 1. MINUTES

The minutes of the meeting held on March 4, 2005 were approved as circulated.

**2. PRESIDENT'S REPORT**

Mr. Alexander circulated a report detailing his activities on behalf of the Law Society over the previous month.

**3. EXECUTIVE DIRECTOR'S REPORT**

Mr. Heberton circulated a written report. He noted that the building at 750 Cambie Street was fully leased, and he congratulated Mr. Stajkowski on his success in that regard.

**4. REPORT ON OUTSTANDING HEARING DECISIONS**

The Benchers received a report on outstanding hearing decisions.

**5. Amendment to the Law Society Rules re LLPs**

Mr. Zacks reviewed a memorandum setting out recommended changes to the Rules respecting Limited Liability Partnerships. The first change would take into account differences in other jurisdictions where non-lawyers are permitted to be members of LLPs. The second change would permit law corporations to be partners in LLPs. Mr. Zacks said both rule changes recognized existing practice structures.

It was moved (Zacks/Fung) to amend the Law Society Rules as follows:

**1. By rescinding Rule 9-13 and substituting the following:**

**9-13** *A lawyer or law corporation is authorized to carry on the practice of law through a limited liability partnership, provided that the lawyer or law corporation and the limited liability partnership comply with the provisions of the Partnership Act and meet the prerequisites of this Division.*

**2. By rescinding Rule 9-15(2) and substituting the following:**

*(2) On receipt of a submission under subrule (1), the Executive Director must issue a statement of approval of LLP registration if the Executive Director is satisfied that*

*(a) the intended name complies with Rule 9-14, and*

*(b) membership in the partnership complies with subrules (2.1) and (2.2).*

*(2.1) Each partner in an LLP must be*

*(a) a member of the Society,*

*(b) a member of a recognized legal profession in another jurisdiction,*

*(c) a law corporation holding a valid permit under this Part, or*

*(d) a non-lawyer participating in the partnership in another Canadian jurisdiction as permitted in that jurisdiction.*

*(2.2) At least one partner in an LLP must be a member of the Society or a law corporation holding a valid permit under this Part.*

*(2.3) If the Executive Director is not satisfied of the matters referred to in subrule (2), the Executive Director must decline to issue a statement of approval.*

Mr. Taylor questioned whether the Law Society should import the words “non-lawyer” from the Ontario rules.

Mr. Zacks said there were some firms structured as LLPs in Ontario that included non-lawyers, and those firms would not be able to practice in British Columbia if the rule was not changed.

Mr. Taylor asked what the non-lawyers’ occupations were, and suggested that it might be preferable to create specific exceptions for those occupations rather than broadly permitting non-lawyer partners.

Mr. Zacks said some of the non-lawyer partners were patent and trademark agents, and possibly a few accountants or other professionals. He said the Ethics Committee’s view was that if the other jurisdiction permits them and regulates them, the Law Society of BC ought not prohibit them.

Mr. Lucas noted that the Law Society Rules did not prohibit non-lawyers partners, but did prohibit splitting fees with them.

The motion was carried by a majority of more than two thirds of the Benchers present.

## **6. Conduct Review Task Force Report**

Mr. Lucas reviewed the circumstances in which the task force was formed and the recommendations in the report.

Mr. Alexander said that on several occasions he had been in the situation where a complainant was permitted to attend a portion of a conduct review, and then excused for the remainder, and he had reached the conclusion that there was simply no way to communicate the nature of the process to complainants without leaving a negative impression.

Ms. Schmit agreed with Mr. Alexander and asked what materials complainants received before the conduct review takes place.

Mr. Cameron said complainants did not receive all the information that the conduct review subcommittee has. For, example, the opinion from the Law Society staff lawyer is privileged. However, complainants do have the correspondence from the investigation of their complaint.

Mr. Nagle was reluctant to make any decision without anyone from the task force present. He urged adopting rules that afforded the greatest degree of transparency.

Ms. Wallace noted that most adjudicative processes included some way of dealing with matters in a less formal way, and by necessity, those ways tended to be somewhat less transparent. Regarding the recommendation for provisions respecting rescission of a conduct review, Ms. Wallace recalled an occasion when the information obtained during the conduct review indicated that it was not necessary and it would have been appropriate to rescind the conduct review or record somewhere that it was not warranted.

Mr. LeRose agreed that it would be useful to hear from the task force members before making a decision.

It was agreed to postpone further discussion of this matter until the next meeting.

## **7. Legal Services Society Appointments**

It was moved (Nagle/Fung) to appoint D. Brent Adair, QC, and John Hogg, QC to the Legal Services Society Board of Directors for further terms of two years commencing on June 1, 2005 and ending on May 31, 2007.

The motion was carried.

**8. Law Society Scholarship**

It was moved (Fung/Nagle) to award the Law Society Scholarship to Kimberly May Eldred, and if Ms. Eldred declines or is unable to take up the scholarship, then to Annie Rochette.

The motion was carried.

**9. LSBC v. Milne, Review pursuant to Rule**

Ms. Schmit assumed the Chair.

Ms. Schmit noted that this was a review on the record and neither counsel were present. Both counsel consented to publication.

The following Benchers were present for this matter:

The Benchers adjourned to deliberate. On their return, Ms. Schmit reported that a clear majority of the Benchers considering the matter concluded that the decision of the hearing panel with respect to anonymous publication should be reversed, and written reasons would be provided in due course.

**10. Civil Justice Reform Green Paper**

Ms. Ostrowski briefly reviewed issues considered by the Access to Justice Committee in discussion of the Green Paper on the Foundations of Civil Justice published by the Civil Justice Reform working group of the Attorney General's Justice Review Task Force. She said the Access to Justice Committee thought that a submission from the Benchers as a whole could capture more ideas and would have greater force than a submission from the Committee.

Mr. Seckel, who chairs the working group, encouraged submissions and early engagement in the process. He said the working group had "roamed the landscape" quite a bit, and input from the profession would be valuable. The need to improve the civil justice system is a big problem that needs a consensus type solution.

It was moved (Ostrowski/Nagle) to respond to the Green Paper by May 15, 2005.

Mr. Vertlieb was concerned that the Law Society not be seen to simply approve the Green Paper as presented.

Mr. Seckel said the working group was seeking the Benchers' ideas in response to the Paper rather than support for the specific ideas in the Green Paper. He said the Paper was a collection of ideas and did not present policy.

Mr. Alexander clarified that the motion if carried would result in staff preparing a response to the Paper following input from the Benchers that would give the Law Society's views on the contents of the Paper.

Mr. Vertlieb supported the motion as clarified by Mr. Seckel and Mr. Alexander.

Mr. Turriff said there was insufficient time to formulate a response. He said the problem was huge and multi-faceted and invited both short-term and long-term solutions.

Mr. Alexander suggested that the Law Society could at least present some thoughts on the subject even though they might not be definitive or final. He said it would be unfortunate if the Law Society did not respond in some way to the Paper.

Mr. Seckel said it would help simply to identify some of the largest or highest priority items. He did not think this would be the last opportunity for the Law Society to comment, as he hoped to be able to present further green papers for discussion.

Mr. Nagle thought it would be profoundly in the public interest for the Law Society to participate in the project.

Mr. Hunter was not against responding to the paper but said the Benchers must be realistic about what could be achieved in the short time available. He suggested that staff prepare a response at the level of general principles and priorities for consideration at the next meeting.

Ms. Preston strongly supported Law Society participation. She said it is difficult to reach out to all of the public and get their views on matters such as this, but the failure of some people or groups to respond does not always mean that they have no views.

Ms. Wallace noted that the people who are very hard to reach are in many ways the people who's problems the Green Paper addressed and who would be affected by changes to the civil justice system.

Mr. Seckel agreed with Ms. Preston's and Ms. Wallace's comments. He said the task force and working group worked very hard to reach people, sending the paper to all kinds of community groups, but even so, few responses are received. He suggested that the topics were not very accessible to many people.

Ms. To said there were real issues in the community with respect to access to justice. She noted that time limit for response, but said as a member of the public, she would like to hear from the legal profession through the Law Society about how the system can be improved.

Mr. Turriff said it was important to respond to what is not in the Green Paper as well as to what is in it. He agreed with Mr. Seckel that the questions are not accessible to many people, and said it would help if people had a clearer understanding of what the "civil justice system" is.

The motion was carried.

#### **11. Lawyers Assistance Program**

Ian Aikenhead, Chair of the Lawyers Assistance Program, and Derek LaCroix, Executive Director, introduced several lawyers who were assisted by LAP and subsequently volunteered to assist other lawyers. One of the lawyers recounted an occasion when she received a telephone call late in the evening from another lawyer who had been called to a hospital emergency room to attend her child with a life-threatening illness. The other lawyer had contacted LAP seeking help, not in her personal situation but to ensure that her clients would not be prejudiced by her inability to attend to her practice the next day. The Benchers noted that the story demonstrated the value of LAP not only to lawyers but also to the public, and, additionally, the dedication to service that pervades the legal profession. The Benchers affirmed their ongoing support of the Lawyers Assistance Program.

#### **12. Law Society Finances 2004**

Mr. Stajkowski gave a presentation on the Law Society finances in 2004. A copy of the presentation is attached as Appendix A.

**13. Amendment to Rule 2-30**

Mr. Hoskins recalled that at the last meeting, the Benchers amended Rule 2-30, which governs the qualifications for a lawyer to act as a principal to an articulated student, dividing the previous subrule (1) into two, now numbered subrules (1) and (1.1). He explained that a consequential amendment was required to ensure that subrules (1) and (1.1) are properly referenced in subrule (2).

It was moved (Fung/Blom) to amend Rule 2-30 by rescinding subrule (2) and substituting the following:

*(2) In exceptional circumstances, the Credentials Committee may allow a lawyer*

*(a) who does not qualify under subrule (1.1) to act as principal to an articulated student, or*

*(b) to act as principal to more than 2 articulated students at one time, despite subrule (1).*

The motion was carried by a majority of more than two thirds of the Benchers present.

**14. Paralegals Task Force Report**

Mr. Alexander introduced the report for the Paralegals task force. He said the report was interim because the task force was waiting the conclusion of discussions by the Provincial Court with respect to appearances by paralegals. He said the task force expected to be able to provide a final report later in the year, but in the meantime would be assisted by knowing of any serious concerns the Benchers might have with respect to the principles set out in the interim report.

Mr. Nagle noted that under the revised principles, lawyers would still be required to provide an appropriate level of supervision of paralegals, but principle number four recognizes that direct supervision is inconsistent with the full range of expanded services paralegals would be allowed to provide.

Mr. Alexander said the revised principles would not change the requirement for a paralegal to work under a lawyer's supervision.

Ms. Fung was concerned about the idea of permitting paralegals to give undertakings in the context of Provincial Court proceedings.

Mr. Alexander said the task force thought this was necessary to deal with situations where some form of undertaking is required in the proceeding and it is not practicable for a paralegal to obtain specific instructions. In these circumstances the paralegal would be permitted to give an undertaking on behalf of the supervising lawyer, in specific and limited situations.

Mr. Hunter was concerned that this could place a lawyer in the position of breaching an undertaking that he or she did not know had been given.

Mr. Alexander said the answer to that concern was that the lawyer is expected to provide adequate supervision, which would include clear instructions to a paralegal that the lawyer must be informed without delay if an undertaking is given.

Mr. Hunter said that in view of the potential penalty for breaching an undertaking, that seemed like a harsh requirement.

Ms. Schmit commented that the report seemed quite conservative and only opened the door very slightly to expanded services offered by paralegals. She noted that the profession is aging and

getting smaller, while the provincial population is growing and becoming more diverse. She said paralegals are needed to fill the gaps.

Ms. Ostrowski shared Mr. Hunter's concerns. She questioned what would happen if a paralegal exceeded his or her authority with respect to giving undertakings leaving the lawyer unfairly at risk.

Ms. Wallace agreed that the ability to give undertakings should not be delegated.

Ms. Fung agreed.

Mr. Taylor thought principals should specifically prohibit paralegals from giving undertakings.

A straw poll was conducted on the question of whether paralegals should be permitted in limited circumstances to give undertakings on behalf of a supervising lawyer. The straw poll showed that there was no support for that principle.

**15. Update on the Special Compensation Fund claims and investigations in the Wirick matter.**

This matter was considered *in camera*.

**16. Open discussion of Bencher concerns.**

This matter was discussed *in camera*.

Ms. Wallace said that in conducting some interviews of articulated students it had become apparent to her that some principals did not take appropriate responsibility for their students. She said it appeared that some senior lawyers were taking on students and then assigning supervision to much more junior lawyers, in one case to a lawyer with only one year's experience. She said the Law Society should remind lawyers that if they sign on as a principal, they must take responsibility for the quality of the student's articles. Ms. Wallace was concerned that by raising the experience requirements for principals, the Law Society might be pressuring law firms to have a senior lawyer sign on as principal and then delegate responsibility to more junior lawyers.

Mr. Hume noted that his firm, among others, had a formal rotation system for articulated students that precluded direct supervision by a single principal over a whole year.

Mr. Turriff said rotation systems in large firms were valuable but it was still important that one person take ultimate responsibility for the articulated student's experience.

Ms. Schmit recalled that when she first became a Bencher, a weekend seminar was provided on administrative law, and writing hearing reports. She asked if anything similar was still available.

Mr. Hoskins said that courses put on by the BC Council of Administrative Tribunals were available to Benchers, at the Law Society's expense.

Ms. Wallace recommended a handbook for judges on writing reasons.

There being no further business, the meeting was terminated.

# Law Society

December 31, 2004

## Financial Results

### Presentation Overview

1. Insurance Fund Overview Results
2. Special Fund Overview Results
3. General Fund Financial Overview
4. General Fund Reserve and Operating Results History.
5. General Fund 2004 Budget year to date results in specific program areas.



## Insurance Fund Financial Results

- \$85.6 million in investments – at book value (Market Value is \$94.6 million)
- \$79.8 million in claim reserves – (net of payments made in 2004, pending year end 2004 actuary adjustment)
- \$9.6m in surplus reserve – down \$7.3 m
- Total fee revenues were slightly over budget
- Investment gains are unrealized, as a result realized returns were under budget.
- Total program and administration expenses were under budget excluding \$200,000 for Part B insurance.

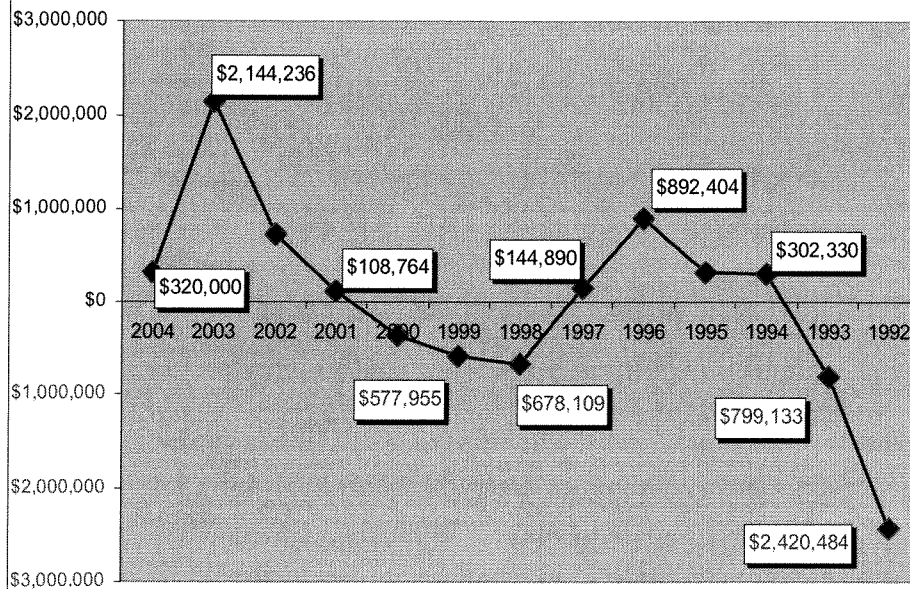
## Special Fund Financial Results

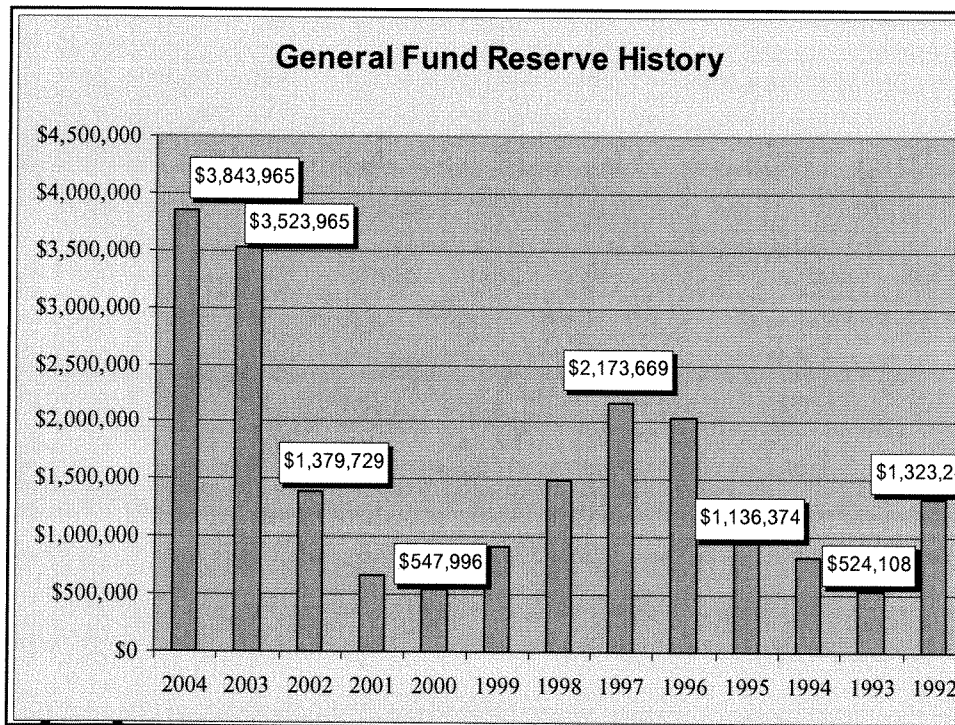
- \$1.3m in investments – liquidated in 2005.
- \$1.2m due from the General Fund and American Home, LSBC finances claims and then we recover, resulted in use of our invested assets.
- \$1.3m in year end Fund reserves.
- Fee revenues slightly under budget.
- \$2.8m paid in claims expense - \$1.9m over budget.
- Professional services (Custodian and Investigation Costs) over budget - a key watch area and area of concern.
- Staffing under budget – reducing Wirick staff.
- Audit Costs over budget.

## General Fund Balance Sheet

- \$320,000 current years surplus.
- Reserve (surplus) up to \$3.84 million, this compares to the 2000 when the reserve was \$547,000, its lowest amount since 1993.
- Book value of building assets – \$12.8 m.
- All other LSBC assets, Book value \$1.38 m.
- INFD building loan reduced by \$500,000 to \$8.61million.

## General Fund Annual Operating Results





### General Fund – 2004 Actual compared to Budget Results

#### **Revenue Variances:**

- Net Practice fees better than budget.
- PLTC revenues slightly under budget – less students.
- All other revenue sources over budget, including:
  - Law Corporation Fees.
  - Other Licensing Fees, mostly from transfers.
  - Fines, Penalties and Cost Recoveries.
  - Provincial Government money for efilng project.
- Overall Revenues over budget by \$430,000 +

## General Fund – 2004 Actual compared to Budget Results

### **Positive Expense Variances:**

- Bencher contingency of \$125,000 prevent Bencher and governance areas from being over budget.
- Areas significantly under their budgets include:
  - Extraordinary legal files by \$80,000.
  - Education and PLTC by \$65,000
  - Trust Review by \$35,000.
  - Policy and Planning by \$35,000.
  - Practice Advice and Loss Prevention by \$110,000.
  - Unauthorized Practice by \$37,000.
  - Information Services by \$50,000.
  - General Administrative and operations by \$180,000
  - Cambie Building operations by \$306,000
- However, even with these positive variances, overall Expenses over budget by \$115,000.

## General Fund – 2004 Actual compared to Budget Results

### **Negative Expense Variances:**

- Areas over budget include:
  - Bencher Expenses – \$80,000.
  - Executive Committee - \$140,000
  - Communications - \$37,000
  - Professional Conduct - \$160,000
  - Discipline Hearings – \$350,000
  - Legal Files - \$170,000
  - Executive Director - \$290,000

## 2005 Operational Financial Objectives - All Funds

- Maintain the General Fund focus on operational efficiency while reviewing overall program priorities and effectiveness. Project funding to eliminate backlogs.
- Special Fund Claim payments – Wirick claim settlements have been timely and claim file processing expenses are being reduced.
- Custodianships – a review of the goals of this area including operational management still required.
- Website/Technology – use of technology to reduce costs and improve effectiveness (eg. Filing of Trust Report online and electronic distribution of Publications) This has started.
- Implementation of new defalcation insurance and the Trust Administration Fee have both occurred.

Apr 04, 05 16:06

## The Law Society of British Columbia

Page 1/1

The Law Society of British Columbia		Mon 04Apr05 16:06
Insurance Fund		Pg 1
Consolidated Balance Sheet		
As at		
December 31, 2004		
	Actual 04	Actual 03
<b>ASSETS</b>		
Cash and cash equivalent	11,166,197.47	7,575,627.95
Accounts Receivable	57,790.17	50,481.93
Accrued Interest Receivable	2,070.27	342.97
Income Tax Recoverable	.00	4,909.00
Due from Members	56,496.09	109,572.92
Due from General fund	.00	.00
Due from reinsurers	731,643.69	1,245,650.17
General Fund Building Loan	8,600,000.00	9,100,000.00
Investments	83,670,532.64	88,689,752.29
	=====	=====
	104,284,730.33	106,776,337.23
<b>LIABILITIES AND FUND RESERVE</b>		
Accounts Payable & Accrued Liabiliti	769,826.30	621,068.52
Income Tax Payable	2,384.00	.00
Deferred Revenue	5,158,409.89	2,800,760.00
Reinsurance Premium Payable	.00	.00
Due to General Fund	7,397,566.09	6,697,498.98
Provision for Settlement of		
Insurance Deductibles	79,832,372.70	72,753,385.39
Provision for ULAE	6,914,000.00	6,914,000.00
	=====	=====
	100,074,558.98	89,786,712.89
Fund Reserve	9,641,049.92	16,989,624.34
	=====	=====
	109,715,608.90	106,776,337.23

Apr 04, 05 16:05

**750 Cambie Street Building**

Page 1/1

750 Cambie Street Building  
Balance Sheet  
as at  
December 31, 2004

Mon 04Apr05 16:05  
Pg 1

	Actual 04	Actual 03
Current Assets		
Land	4,299,850.43	.00
Bldg Purchase	4,965,721.46	.00
Int. Improvements	19,637.85	.00
Ext. Improvements	103,610.68	.00
Land and Base Bldg	9,388,820.42	.00
Office Improvements	.00	.00
Total Land & Bldgs	9,388,820.42	.00
TOTAL ASSETS	9,388,820.42	.00
Current Liabilities		
Bldg Payables	5,430,878.57	.00
Current Liabilities	5,430,878.57	.00
LTD - Mortgage Payable	4,270,139.59	.00
Income/Loss Building Current Year	(312,197.74)	.00
LTD and Equity	3,957,941.85	.00
Liabilities and Equity	9,388,820.42	.00

Apr 05, 05 16:25

**Insurance Fund**

Page 1/1

		Insurance Fund		Tue 05Apr05 16:25	
?		Consolidated Statement of Revenue and Expense		Pg 1	
		For the Current Period Ending			
		December 31, 2004			
	Actual 04	Budget 04	Actual 03	Actual 02	Actual 01
<b>REVENUE</b>					
Insurance Premium	9,895,237.50	9,803,000.00	9,780,412.50	9,633,762.50	9,525,250.00
Net Insurance Premium	9,895,237.50	9,803,000.00	9,780,412.50	9,633,762.50	9,525,250.00
Credits & Surcharges and Other Premium	337,751.90	275,000.00	243,847.03	360,418.25	(271,269.06)
Interest	3,173,329.73	2,965,000.00	3,461,593.19	4,827,524.04	5,092,035.95
Gain on Sale of Investment	893,687.37	1,700,000.00	73,989.16	2,924,842.13	531,455.80
Other Income	28,284.52	25,000.00	94,242.15	26,135.20	26,644.75
<b>Total Revenue</b>	<b>14,328,291.02</b>	<b>14,768,000.00</b>	<b>13,654,084.03</b>	<b>17,772,682.12</b>	<b>14,904,117.44</b>
<b>EXPENSES</b>					
Claim Res. Provision	17,700,000.00	19,197,000.00	10,095,000.00	9,713,000.00	10,177,000.00
BIIC - Claim Provision	.00	40,000.00	.00	.00	.00
Meeting and Travel	28,430.48	52,800.00	60,522.81	36,195.42	37,465.78
Other Alloc. Pgm. Exp.	31,795.56	29,900.00	27,025.93	25,654.44	25,893.67
Professional Services	309,902.20	347,400.00	367,939.08	263,285.01	242,136.88
Loss Prevention Program	762,891.00	760,891.00	707,254.92	941,613.08	969,036.20
Office Administration Expenses	355,849.70	147,800.00	130,894.28	129,719.41	148,503.00
Rent - Allocated	122,120.04	122,120.00	97,020.96	87,966.00	88,048.68
Overhead - Allocated	954,860.16	954,860.00	1,002,759.00	900,957.04	902,584.56
Staffing Expenses	1,390,697.30	1,515,602.40	1,308,142.32	1,309,774.72	1,247,334.21
Tax Expenses	20,319.00	16,100.00	16,757.60	27,932.48	(7,581.16)
<b>Total Expenses (INFD and CACO)</b>	<b>21,676,865.44</b>	<b>23,184,473.40</b>	<b>13,813,316.90</b>	<b>13,436,097.60</b>	<b>13,830,421.82</b>
Building Income(Loss)					
Income/Loss Building Current Year	(312,197.74)	.00	.00	.00	.00
<b>NET INCOME &lt;LOSS&gt;</b>	<b>(7,660,772.16)</b>	<b>(8,416,473.40)</b>	<b>(159,232.87)</b>	<b>4,336,584.52</b>	<b>1,073,695.62</b>



Apr 04, 05 16:07

**The Law Society of British Columbia**

Page 1/1

? The Law Society of British Columbia Mon 04Apr05 16:07  
 Special Compensation Fund Pg 1  
 Balance Sheet  
 December 31, 2004

	Actual 04	Actual 03
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	4,662,988.94	977,403.47
Accounts Receivable	1,261,479.49	5,978,375.53
Assets Held for resale	.00	346,751.00
	-----	-----
	5,924,468.43	7,302,530.00
Investments	1,336,683.48	1,313,912.27
	-----	-----
	7,261,151.91	8,616,442.27
	=====	=====
<b>LIABILITIES AND FUND RESERVE</b>		
Current Liabilities		
Accounts payable and accrued liabilit	13,999.92	9,979.63
Deferred revenue	5,400,000.00	2,760,600.00
Due to General Fund	545,703.66	1,759,028.99
	-----	-----
	5,959,703.58	4,529,608.62
Fund Reserve	1,301,448.33	4,086,833.65
	-----	-----
	7,261,151.91	8,616,442.27
	=====	=====

Apr 08, 05 7:02

**Special Compensation Fund**

Page 1/1

Fri 08Apr05 07:02  
Pg 1

?

Special Compensation Fund  
Revenue and Expense Summary  
For the Current Period Ending  
December 31, 2004

	Actual 04	Budget 04	Actual 03	Actual 02	Actual 01
<b>FUND REVENUES</b>					
Assessment Revenue	5,581,350.00	5,617,550.00	5,496,650.00	2,266,375.11	1,797,199.85
Investment Income	59,174.59	230,000.00	(86,716.00)	724,712.80	598,623.42
Cost Recoveries	48,863.78	10,000.00	97,792.10	13,825.73	3,834.20
<b>TOTAL FUND REVENUES</b>	<b>5,689,388.37</b>	<b>5,857,550.00</b>	<b>5,507,726.10</b>	<b>3,004,913.64</b>	<b>2,399,657.47</b>
<b>FUND EXPENSES</b>					
Net Claim Settlements	2,824,885.70	900,000.00	389,816.57	2,878,378.12	1,035,957.84
Meeting and Travel	23,001.35	30,000.00	28,105.46	11,928.76	12,220.19
Ext. Program Services	31,720.38	58,000.00	50,953.54	46,022.97	33,402.94
Gen. Admin. Expenses	165,142.67	109,508.00	432,167.85	275,437.65	234,783.35
Alloc. Program Costs					
Overhead-GFund All.	758,732.04	758,732.00	603,785.04	549,809.04	518,661.00
Allocated Staffing	679,983.00	679,983.00	584,240.04	573,818.04	579,502.04
Prac Advice-Program	68,250.96	68,251.00	48,129.96	55,305.00	48,610.00
Trust Review Staffing	231,549.00	231,549.00	161,619.00	138,309.96	140,739.00
Trust Review Expenses	48,947.04	48,947.00	35,038.04	18,337.96	.00
Professional Services	2,613,098.58	1,443,000.00	2,063,845.67	1,143,836.89	584,430.96
Staffing Costs	1,031,762.97	1,097,858.00	1,000,632.44	540,544.31	344,183.15
<b>TOTAL FUND EXPENSES</b>	<b>8,477,073.69</b>	<b>5,425,828.00</b>	<b>5,398,333.61</b>	<b>6,231,728.70</b>	<b>3,532,490.47</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(2,787,685.32)</b>	<b>431,722.00</b>	<b>109,392.49</b>	<b>(3,226,815.06)</b>	<b>(1,132,833.00)</b>

Apr 04, 05 16:05

**The Law Society of British Columbia**

Page 1/1

The Law Society of British Columbia General Fund Balance Sheet as at December 31, 2004		Mon 04Apr05 16:05 Pg 1
	Actual 04	Actual 03
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	615,958.97	979,704.16
Unclaimed trust funds	665,285.70	522,420.00
Accounts receivable & prepaid expens	314,287.20	523,904.22
Juricert Investments	.00	.00
B.C. Courthouse Library Fund	236,252.30	311,677.03
Due from Captive Fund	240.47	216.70
Due from Insurance Fund	7,397,325.62	6,697,282.28
Due from Special Compensation Fund	545,703.66	1,759,028.99
Due from Pro Bono	.00	.00
	-----	-----
	9,775,053.92	10,794,233.38
Capital assets		
Cambie Street property, net	12,862,645.09	12,806,964.92
Other, net	1,384,892.15	1,251,546.10
	-----	-----
	24,022,591.16	24,852,744.40
	=====	=====
<b>LIABILITIES AND FUND RESERVE</b>		
Current liabilities		
Accounts payable & accrued liabiliti	2,989,365.36	7,033,516.22
Liability for unclaimed trust fund	650,722.81	522,420.17
Current portion of bldg loan payable	500,000.00	500,000.00
Deferred revenue	7,668,678.17	4,277,797.71
B.C. Courthouse Library Grant	237,097.34	311,677.06
Due to Captive Fund	.00	.00
Due to Insurance Fund	.00	.00
Due to Special Compensation Fund	.00	.00
Deposits	34,500.00	83,466.40
	-----	-----
	12,080,363.68	12,728,877.56
Long-term debt		
Building loan payable	8,100,000.00	8,600,000.00
	-----	-----
	.00	.00
Fund reserve	3,842,227.48	3,523,866.84
	-----	-----
	24,022,591.16	24,852,744.40
	=====	=====

Apr 04, 05 16:04

**839/845 Cambie Street Building**

Page 1/1

		Actual 04	Actual 03
839/845 Cambie Street Building Balance Sheet as at December 31, 2004			
		Mon 04Apr05 16:04	Pg 1
<hr/>			
Current Assets			
A/R-Buildings General		7.45	.28
A/R-Buildings Goods & Services Ta		4,084.51	4,522.54
Prepaid Property Taxes(Bldg)		(29,652.72)	.00
Total Current Assets		(25,560.76)	4,522.82
Land		4,189,450.00	4,189,450.00
Bldg Purchase		8,766,430.93	8,766,430.93
Int. Improvements		2,479,481.62	2,475,197.68
Ext. Improvements		99,183.77	99,183.77
Base Bldg. Deprn.		(3,590,099.00)	(3,305,099.00)
Land and Base Bldg		11,944,447.32	12,225,163.38
Office Improvements		2,962,828.50	2,436,432.31
PLTC Improvements		248,468.37	248,468.37
2nd Flr Improvements		625,362.57	625,362.57
Bldg Equipment		8,570.23	8,570.23
LS Improve. Deprn.		(3,040,375.00)	(2,890,375.00)
Tenant Improvements		1,085,929.90	1,085,929.90
Ten. Improve. Deprn.		(972,586.80)	(932,586.84)
Office Improvements		918,197.77	581,801.54
Total Land & Bldgs		12,862,645.09	12,806,964.92
TOTAL ASSETS		12,837,084.33	12,811,487.74
<hr/>			
Current Liabilities			
A/P - Building GST		2,997.71	3,777.83
A/P - Building Deposits		14,876.11	14,876.11
Current Loan Payable		(500,000.00)	(500,000.00)
A/P - GF Operations		7,795,753.66	7,593,518.77
Current Liabilities		8,313,627.48	8,112,172.71
LTD - Bldg Loan		8,100,000.00	8,600,000.00
Income/Loss Building Current Year		(324,141.82)	.00
R/E-BLDG (prev.yrs)		3,900,684.97	3,900,684.97
LTD and Equity		4,523,456.85	4,699,315.03
Liabilities and Equity		12,837,084.33	12,811,487.74

Apr 05, 05 9:10

# Revenue and Expense Summary

Page 3/3

Revenue and Expense Summary  
With Cost Center Details (plsacb)  
For the Current Period Ending  
December 31, 2004

Tue 05Apr05 09:06  
Pg 3

	Actual 04	Budget 04	Actual 03	Actual 02	Actual 01
<b>OTHER CTTES/TASK FORCES</b>					
Pro Bono Initiatives	29,739.27	31,325.00	37,237.45	102,741.58	130,120.20
Fee Review Task Force	1,536.59	1,000.00	1,059.62	167.25	.00
Medical/Legal Liaison	273.23	.00	.00	.00	324.73
<b>Total Other Ctte/Task Forces</b>	<b>31,549.09</b>	<b>32,325.00</b>	<b>38,297.07</b>	<b>102,908.83</b>	<b>130,444.93</b>
<b>UNAUTHORIZED PRACTICE</b>					
Unauth Prac. Dept	109,495.01	110,930.00	104,391.67	126,388.29	126,144.41
Case Files	33,804.59	72,000.00	33,716.26	51,549.56	59,461.37
<b>Total Unauthorized Practice</b>	<b>143,299.60</b>	<b>182,930.00</b>	<b>138,107.93</b>	<b>177,937.85</b>	<b>185,605.78</b>
<b>OFFICE of the EXECUTIVE DIRECTOR</b>					
Ex. Director/Corp. Sec	864,638.90	527,219.00	505,572.52	394,952.69	393,338.90
Personnel Management	250,194.32	265,094.00	266,016.08	240,343.32	187,790.55
FOI Program	79,033.14	69,218.00	108,369.10	108,815.30	110,313.49
Annual Meeting	19,017.64	60,500.00	45,514.43	104,485.83	48,641.74
<b>Total Office of Ex. Director</b>	<b>1,212,884.00</b>	<b>922,031.00</b>	<b>925,472.13</b>	<b>848,597.14</b>	<b>740,084.68</b>
<b>INFORMATION MANAGEMENT</b>					
Office of the CIO	.00	.00	.00	170,060.67	164,151.82
MIS Management	592,438.27	634,448.00	669,377.43	386,836.51	351,535.33
Comp. Hardware Depn	107,000.04	107,000.00	120,455.51	108,534.21	99,674.57
Comp. Software Depn	122,195.11	122,000.00	121,432.24	54,856.80	110,315.34
Web Enabled Proj. Depn	.00	10,000.00	.00	.00	.00
<b>Total Information Management</b>	<b>821,633.42</b>	<b>873,448.00</b>	<b>911,265.18</b>	<b>720,288.19</b>	<b>725,677.06</b>
<b>GENERAL ADMINISTRATION</b>					
Member Services	318,392.98	317,431.00	330,264.07	311,414.05	350,690.82
Meeting Set-up	4,331.50	4,500.00	1,414.32	7,518.56	982.97
Annual Billing	4,619.07	18,000.00	13,241.25	14,022.02	15,600.04
Reception/Gen. Office	503,429.06	513,759.00	580,507.18	530,368.98	489,448.72
Records Mgmt	138,026.99	245,940.00	133,926.27	160,771.71	144,896.48
Law Society Library	73,594.11	31,500.00	75,949.66	61,153.16	47,628.45
Acctg/Finance Dept.	259,738.93	398,298.00	332,902.99	288,713.50	276,354.48
Telephone Equip. Depn	18,000.00	18,000.00	18,073.60	13,155.64	10,469.22
Furniture Depn.	81,000.00	81,000.00	72,397.32	76,008.85	116,559.38
SUB Plan/Students	42,715.75	10,000.00	27,964.05	25,404.82	(257.43)
<b>General Office Expenses</b>					
Supplies & Services	24,411.67	25,200.00	33,061.05	23,183.73	22,451.67
External Audit	24,999.96	25,000.00	24,999.96	22,608.42	19,513.58
Bad Debts	.00	5,000.00	.00	.00	(1,154.69)
Admin. Rent/Insurance	70,984.71	48,200.00	49,882.81	45,677.53	40,366.32
Courier/Mail/Telephone	134,318.23	133,700.00	128,095.27	118,381.96	113,958.67
Equipment R&M	72,628.67	85,500.00	85,694.62	118,446.85	69,116.31
Print and Supplies	45,865.97	39,300.00	41,651.18	43,515.20	33,895.38
Professional Serv.	10,332.76	5,000.00	6,722.99	11,970.81	4,016.12
<b>Total Administration</b>	<b>1,827,390.36</b>	<b>2,005,328.00</b>	<b>1,956,748.59</b>	<b>1,872,315.79</b>	<b>1,754,536.49</b>
<b>Total Program Expenses</b> (excl. Bldg Ops and Juricert)	<b>13,507,518.98</b>	<b>13,065,012.00</b>	<b>12,456,212.49</b>	<b>13,687,222.09</b>	<b>13,508,463.62</b>
<b>CAMBIE BUILDING OPERATING COSTS</b>					
Building Revenues	(1,803,083.57)	(1,843,600.00)	(1,906,215.35)	(1,764,735.39)	(1,754,561.47)
Less: Bldg Expenses	1,478,941.75	1,825,118.00	1,476,505.04	1,787,699.73	1,901,432.49
<b>Net Bldg Results (Loss)</b>	<b>324,141.82</b>	<b>18,482.00</b>	<b>429,710.31</b>	<b>(22,964.34)</b>	<b>(146,871.02)</b>
<b>JURICERT SERVICES INC.</b>					
Juricert Revenue	(7,524.00)	.00	(944.00)	(7,994.94)	(104,752.34)
Less: Operating Expenses	90,194.16	102,542.00	130,702.64	510,111.86	575,568.02
<b>Net Juricert Results (Loss)</b>	<b>(82,670.16)</b>	<b>(102,542.00)</b>	<b>(129,758.64)</b>	<b>(502,116.92)</b>	<b>(470,815.68)</b>
<b>TOTAL NET GENERAL FUND</b>	<b>318,360.64</b>	<b>.00</b>	<b>2,144,137.02</b>	<b>722,969.62</b>	<b>108,764.00</b>
<b>OPERATING RESULTS (DEFICIT)</b>	<b>318,360.64</b>	<b>.00</b>	<b>2,144,137.02</b>	<b>722,969.62</b>	<b>108,764.00</b>

Apr 05, 09 10

## Revenue and Expense Summary

Page 1/3

	Actual 04	Budget 04	Actual 03	Actual 02	Actual 01
Revenue and Expense Summary With Cost Center Details (plsacb) For the Current Period Ending December 31, 2004					
Tue 05Apr05 09:06 Pg 1					
GENERAL FUND REVENUES					
FEE & ASSESSMENT REVENUES					
Practice Fees	8,077,808.53	7,836,525.00	8,628,294.86	9,791,895.47	9,281,314.68
PLTC Fees	703,096.93	720,000.00	720,148.50	758,250.00	741,750.00
LSBC Application Fees	79,500.00	80,000.00	77,875.00	69,625.00	44,125.00
Other Licensing Fees	197,004.53	94,000.00	184,394.02	173,075.00	167,162.50
Law Corporation Fees	205,497.30	185,000.00	192,652.54	185,600.00	161,140.00
Auth./Certs of Standing	40,281.52	41,000.00	42,646.63	32,797.47	26,146.80
FINES, PENALTIES & EXTERNAL RECOVERIES					
Trust Reporting Penalties	35,650.00	30,000.00	52,116.50	38,021.82	78,309.10
Disc. Penalties and Recoveries	71,877.75	88,000.00	198,027.79	88,495.26	91,141.02
Other File Recoveries	16,860.82	36,000.00	65,253.32	66,490.21	44,478.51
Joint Prog. Revenue/Cost Rec.	139,813.46	13,500.00	427,518.49	52,200.75	49,886.30
ALLOCATION & INTERNAL PROGRAM RECOVERIES					
Insurance Admin. Allocation	952,194.00	952,194.00	999,959.04	898,442.04	899,217.00
Special Fund Admin. Allocation	758,732.04	758,732.00	603,785.04	549,809.04	518,661.00
Allocated Staff Costs	1,306,073.04	1,306,073.00	1,180,058.04	1,194,250.04	1,134,282.08
Allocated Program Costs	485,547.96	532,248.00	356,223.92	533,134.00	603,605.16
OTHER REVENUE					
Interest Income	153,626.70	150,000.00	172,752.66	128,383.30	89,661.52
Grant and Fundraising Income	360,843.38	325,800.00	398,691.49	374,803.57	304,033.65
TOTAL REVENUE AND RECOVERIES	13,584,407.96	13,149,072.00	14,300,397.84	14,935,272.97	14,234,914.32
PROGRAM AREA EXPENSES					
BENCHERS/GOVERNANCE COMMITTEES					
Benchers Meetings	347,344.98	263,250.00	208,708.59	233,979.42	300,561.32
Benchers Retreat	63,612.82	69,000.00	50,467.16	75,706.05	73,312.28
Life Benchers Dinner	19,253.24	10,000.00	11,519.65	9,558.59	3,032.18
Certificate Luncheon	1,084.11	4,000.00	3,046.39	3,856.41	513.22
Executive Committee	168,583.17	29,500.00	14,385.44	32,947.52	46,991.19
President's Office	192,413.19	197,204.00	230,137.16	290,277.85	205,486.18
FLS Meetings	42,932.07	34,000.00	34,395.77	51,667.51	48,946.02
FLS Contributions	103,456.74	128,000.00	82,483.18	114,303.40	87,282.84
CanLII Project	206,451.98	193,000.00	129,096.76	87,394.01	4,489.59
Mobility TF (Fed/Western)	7,037.62	10,000.00	3,225.88	7,558.75	12,763.46
Audit Committee	4,247.64	17,500.00	3,485.88	8,572.96	9,573.47
BCCLS Task Force	2,911.96	4,200.00	1,829.23	6,506.42	10,496.23
BCCLS Contributions	.00	.00	.00	1,144,000.00	1,180,000.00
Extraord. Case Files	69,298.41	155,300.00	133,255.21	210,387.13	506,439.32
Budget Contingency	.00	125,850.00	.00	.00	.00
Total Bencher Governance	1,228,627.93	1,240,804.00	906,036.30	2,277,016.02	2,489,887.30
FUTURE OF LEGAL PROFESSION					
Futures Committee	15,757.90	11,500.00	12,323.11	11,209.39	14,451.66
Specialization WG	.00	.00	.00	3,241.65	.00
Independence of the Bar	2,837.01	5,000.00	.00	.00	.00
Lawyer Opportunities	87,312.98	97,558.00	86,555.13	148,943.01	151,394.84
Technology Committee	2,310.29	3,000.00	1,991.71	1,674.62	824.74
Solicitor Property Selling	.00	.00	398.76	55.00	1,486.80
Conveyancing Procedures TF	7,207.49	.00	2,889.95	3,275.84	.00
Juricert cost centre	8.60	1.00	.00	.00	.00
Access to Justice	10,436.84	12,100.00	4,967.94	3,546.72	4,112.42
Web Technology Task Force	.00	.00	.00	4.20	1,384.40
Torrens Certificate Project	27,682.38	25,000.00	25,066.94	33,886.31	32,175.95
Justice Reform T/Force	3,762.17	1,500.00	975.82	2,108.27	4.20
ADR Working Grp	1,091.39	.00	249.63	2,375.29	1,761.37
Total Future of LP Programs	158,407.05	155,659.00	135,418.99	210,320.30	207,596.38
LICENSING & ADMISSIONS					
Licensing/Admissions Dept.	307,851.74	316,443.00	261,460.62	218,350.32	153,503.97
Credentials Committee	34,821.51	30,000.00	29,239.03	16,813.70	46,506.26
Call Ceremonies	18,992.96	22,500.00	17,477.65	19,255.11	20,596.01
Articling Reform	.00	.00	17,176.29	194,946.78	203,001.00
Paralegals Task Force	726.88	14,000.00	4,691.70	1,597.52	12,884.29
Credentials Hearings	85,431.55	64,000.00	77,865.28	26,981.06	105,628.74
Total Articling and Admissions	447,824.64	446,943.00	407,910.57	477,944.49	542,120.27
EDUCATION & PLTC					
Education Program Dept.	45,069.74	30,292.00	46,263.10	.00	.00
PLTC Department	1,364,531.63	1,435,592.00	1,458,149.90	1,480,065.29	1,396,530.25

Apr 05, 05 9:10

## Revenue and Expense Summary

Page 2/3

	Actual 04	Budget 04	Actual 03	Actual 02	Actual 01
Post-Call Education Task Force	8,180.53	20,000.00	22,043.00	.00	.00
Total Education and PLTC	1,417,781.90	1,485,884.00	1,526,456.00	1,480,065.29	1,396,530.25
COMMUNICATIONS					
Communications Dept	329,931.91	316,843.00	306,156.08	292,124.26	274,130.04
Gov. Relations	18,110.00	36,000.00	39,303.12	27,370.56	.00
Publications	251,203.20	219,800.00	219,283.76	152,874.31	205,461.27
Annual Report	33,020.25	34,000.00	37,515.84	34,945.59	34,801.79
Elections	38,724.41	26,600.00	19,825.08	2,763.55	23,752.59
Bench and Bar Dinner	2,401.44	.00	1,220.54	3,032.47	3,032.47
Law Day	.00	.00	.00	.00	5,000.00
Media Monitoring	16,431.12	28,000.00	14,771.30	22,850.12	18,159.97
L.S. Website	52,912.39	40,000.00	830.22	16,337.14	1,936.53
Pub.Rel. Program	2,652.40	5,000.00	2,581.95	4,447.60	288.71
Total Communications	745,387.12	706,243.00	641,487.89	556,815.74	566,563.37
PRACTICE STANDARDS					
Prac. Stds Dept.	179,319.39	166,412.00	170,274.55	151,178.90	149,493.52
Prac. Stds Cttee	9,100.49	9,400.00	8,722.78	17,963.26	5,421.44
Remedial Case Files	12,383.79	30,000.00	28,768.32	20,498.74	14,552.78
Total Practice Standards	200,803.67	205,812.00	207,765.65	189,640.90	169,467.74
PROFESSIONAL CONDUCT					
Prof. Conduct Dept.	1,390,497.38	1,328,558.00	1,353,933.42	1,296,008.98	1,204,122.09
Prof. Conduct-ADR	107.25	.00	382.26	137.03	88,689.49
Prof. Con.-Ext. Files	120,771.51	64,000.00	46,998.52	47,081.53	29,868.82
Fee Mediation Prog.	.00	.00	.00	103.50	50.00
Complainant's Review	105,664.27	51,898.00	49,463.88	78,942.80	71,686.98
Total Professional Conduct	1,617,040.41	1,444,456.00	1,450,778.08	1,422,273.84	1,394,417.38
DISCIPLINE					
Discipline Dept	425,481.53	534,723.00	500,655.19	508,698.56	507,557.72
Discipline Cttee	26,209.64	20,800.00	21,686.58	16,963.43	17,284.31
Discipline Hearings	594,372.36	138,800.00	172,688.62	161,866.36	169,325.43
Case Registry	57,807.16	55,799.00	58,496.15	57,069.32	53,075.01
Total Discipline	1,103,870.69	750,122.00	753,526.54	744,597.67	747,242.47
TRUST ACCOUNTING & AUDIT					
Trust Review Dept.	229,049.92	265,350.00	196,656.67	156,648.05	184,771.45
Unclaimed Trust Invest.	32,538.36	17,307.00	32,281.08	45,117.89	53,398.54
Trust Assurance TF	129.21	15,000.00	4,363.20	3,300.62	3,723.99
Total Trust Acctg/Audit	261,717.49	297,657.00	233,300.95	205,066.56	241,893.98
AUDIT & INVESTIGATIONS					
A & I Department	733,682.68	745,733.00	632,940.48	629,377.05	628,112.08
Total Audit and Investigations	733,682.68	745,733.00	632,940.48	629,377.05	628,112.08
ETHICS					
Ethics Dept.	92,142.42	101,831.00	105,358.71	106,119.27	99,533.11
Ethics Committee	8,300.19	13,700.00	12,724.25	13,359.04	10,303.95
Total Ethics	100,442.61	115,531.00	118,082.96	119,478.31	109,837.06
POLICY AND PLANNING					
Policy/Planning Dept.	555,222.32	590,797.00	532,870.91	388,330.86	339,621.37
Legal Defense	212,322.86	40,000.00	58,187.90	49,014.42	38,338.48
Interventions - General	82.56	.00	.00	.00	.00
Interventions - Files	34,348.06	32,000.00	13,998.82	30,431.03	34,460.87
Equity/Diversity	24,286.93	38,575.00	135,868.91	152,170.71	141,681.90
Multiculturalism Cttee	9.62	.00	.00	.00	.00
Ombudsperson	42,224.03	45,000.00	48,059.13	44,391.41	34,984.66
Disability Research Project	17,471.92	25,000.00	14,842.62	4,126.90	.00
Total Policy and Planning	885,968.30	771,372.00	803,828.29	668,465.33	589,087.28
PRACTICE ADVICE & LOSS PREVENTION					
Practice Advice Dept.	398,590.36	409,734.00	405,789.89	455,766.38	323,787.62
LP & PA Products & Seminars	20,581.54	88,000.00	77,365.83	96,101.19	102,700.26
Practice Management	361.12	.00	852.92	(215.03)	24,275.64
Assistance Programs	149,675.00	185,000.00	184,780.25	432,460.25	438,595.60
Total Practice Advice/Loss Prev.	569,208.02	682,734.00	668,788.89	984,112.79	889,359.12

# Commentary on Investment Returns

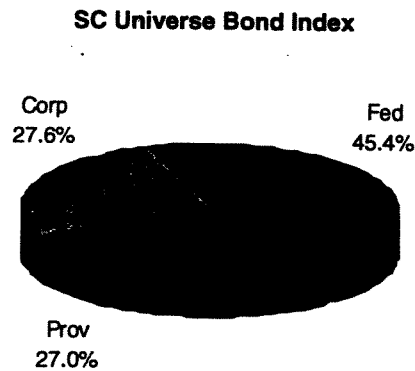
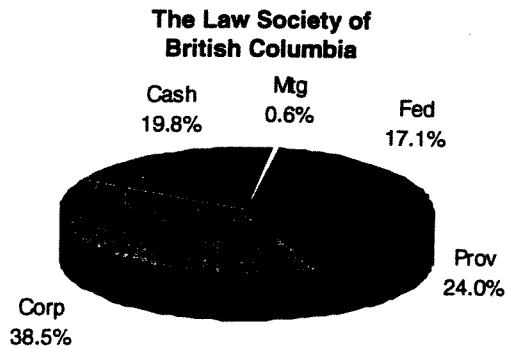
## Asset Mix

With North American markets reaching their highest levels of the past three and a half years, the portfolio benefited from its relative overweight in stocks in both the quarter and over the calendar year.

## Fixed Income

The bond component of your portfolio has performed broadly in line with the SC Universe Bond Index during the quarter and is modestly ahead over the year. Most strategy positions have been small, reflecting the lack of attractive opportunities in the market and the need to be patient in the current environment.

## Sector Comparison As of December 31, 2004



**The Law Society of British Columbia**  
Yield: 4.06 %  
Duration: 5.96 Years  
Average Term to Maturity: 9.53 Years

**SC Universe Bond Index**  
4.13%  
6.29 Years  
9.62 Years



## **Commentary on Investment Returns**

With North American markets reaching their highest levels of the past three and a half years, your portfolio benefited from its relative overweight in stocks. This asset mix policy coupled with strong returns in the Canadian equity component of the portfolios resulted in a quarterly advance of 5.2%, or 0.4% ahead of its benchmark return for both the Insurance and the Special Funds. Year-over-year, the Insurance Fund portfolio posted a 9.5% gain and the Special Fund posted 1.1%; in relative terms, this represents 0.9% of value-added for the Insurance Fund and 1.1% for the Special Fund.

## **Review of Last Quarter's Strategy**

Consistent with the intentions outlined in our last report, we took advantage of market strength to trim stocks late in the quarter. As we still viewed bonds as expensive, the bond component was reduced further, with the proceeds of these sales reinvested into cash and short-term instruments.

## **Market Outlook and Strategy**

Decelerating earnings growth, rising interest rates and equities now trading close to fair value, all suggest that stock markets may face a more challenging environment in 2005. Although we trimmed our exposure to Canadian equities on strength in the quarter, we continue to favour the domestic stock market over foreign alternatives. Within the foreign context, EAFE markets remain more attractive on a relative valuation basis and our continued concerns about the value of the American dollar have prompted us to diversify away from U.S. dollar assets. As mentioned, we have built up cash in the portfolio this quarter; however, our intention will be to deploy these reserves into bonds should valuations improve.

## **Canadian Equities**

Fourth quarter results for the Canadian equity component of your portfolios were a full 1.6% ahead of the S&P/TSX Composite Index, or 8.8%. This brings the year-over-year gain to a robust 18.8% for the Insurance Fund and 18.9% for the Special Fund versus the 14.5% advance of the broad market.

Over the past several quarters, we have commented that it has become a "stock-picker's market," and indeed, this has been borne out in our results; in both the quarter and over the past twelve months, the relative value-added achieved in Canadian equities has been overwhelmingly attributable to our stock selection. **Potash Corp. of Saskatchewan** (+79.7%), **NOVA Chemicals** (+63.5%), **TELUS** (+43.0), **Manulife Financial** (+34.8%) and **Power Financial** (+32.5%) stood out as strong contributors over the year. Notable detractors in this period included **Biovail** (-29.1%), **Celestica** (-13.6%) and **CP Ships** (-35.4%).

## **Foreign Equities**

As a reminder, the foreign equities in your portfolio are now managed on a combined basis with U.S. stock selection continuing to be done by PH&N, while non-North American stocks are being researched and selected by our affiliate company, Sky Investment Counsel. Our asset mix team determines the allocation between U.S. and EAFE equities.

### ***Foreign Equities: U.S. Portfolio***

During the quarter, U.S. performance was hurt by an overweight in Financials; particularly detrimental was the drop in **Marsh & McLennan's** stock price following charges of bid rigging and inappropriate commission payments in the company's insurance brokerage business. In Health Care, **Pfizer's** news of adverse side effects from their drug Celebrex accentuated what had already been a poor quarter for that stock. These negatives were partially offset by some good earnings reports and share price performance by **Verisign, Oracle, and Archer-Daniels** during the quarter.

For the year, we lost ground in the Consumer Discretionary sector (owning **Viacom** and **Interactive**, and not owning **eBay**), as well as in Financials (**Marsh & McLennan, Fifth Third Bancorp, AIG, and Citigroup**). There were positive contributors for the year as well (for instance; **Caremark, Verisign, Wachovia, Tyco** and not owning **Merck**), but in aggregate returns fell behind the Index for the year.

### **Foreign Equities: Overseas Portfolio**

Returns from EAFE stocks lagged the MSCI EAFE Index by 1.2% in the quarter. Most of this is attributable to a few large positions, notably **Vestas Wind Systems** (Danish wind-turbine manufacturer), **Carrefour** (French retailer) and **Pioneer Corp.** (Japanese electronics). There was no disastrous news on any of these holdings: rather, these are stocks that were acquired due to their compelling value, but in the short term they may continue to be neglected by most investors.

Offsetting these negatives were strong returns from Insurance and Utilities stocks. Having been one of the poorest performers earlier in the year, Insurance stocks represented good value and had a major rebound in the fourth quarter. As a result, our holdings in **Munich Re**, **Aviva**, **Aegon** and **ING** all contributed well. The portfolio has been overweight in Utilities. **United Utilities** of the U.K. was one of the best performers due to a positive rate review and the enhanced certainty that the high dividend yield would be maintained.

Returns for the year in the portfolio's EAFE stocks do not compare favourably with the MSCI EAFE Index. Recall, however, that we made a major change in establishing an affiliate, Sky Investment Counsel, in mid-2004. Sky Investment Counsel completed the restructuring of the portfolio by July 31<sup>st</sup>; since that time, i.e. the last five months of the year, the overseas equity returns have matched those of the Index. While this is clearly an exceedingly short period of time, we are quite encouraged and remain very positive about the progress to date.

## Executive Summary

Components & Benchmarks	Three Months %	One Year %	Four Years Annualized %
<b>Law Society Insurance Fund</b>	<b>5.2</b>	<b>9.5</b>	<b>8.1</b>
<i>Benchmark*</i>	<i>4.8</i>	<i>8.6</i>	<i>n.a.</i>
<b>Canadian Equities</b>	<b>8.8</b>	<b>18.9</b>	<b>8.1</b>
<i>S&amp;P/TSX Composite Index</i>	<i>7.2</i>	<i>14.5</i>	<i>2.7</i>
<b>U.S. Equities</b>	<b>1.8</b>	<b>-1.2</b>	<b>-6.1</b>
<i>S&amp;P 500 Index</i>	<i>3.4</i>	<i>2.8</i>	<i>-5.9</i>
<b>Overseas Equities</b>	<b>8.0</b>	<b>8.5</b>	<b>-1.0</b>
<i>MSCI EAFE Index</i>	<i>9.2</i>	<i>11.5</i>	<i>-3.2</i>
<b>Bonds</b>	<b>3.2</b>	<b>7.3</b>	<b>8.1</b>
<i>SC Universe Bond Index</i>	<i>3.1</i>	<i>7.2</i>	<i>7.7</i>

Components & Benchmarks	Three Months %	One Year %	Four Years Annualized %
<b>Law Society Special Fund</b>	<b>5.2</b>	<b>9.7</b>	<b>8.0</b>
<i>Benchmark *</i>	<i>4.8</i>	<i>8.6</i>	<i>n.a.</i>
<b>Canadian Equities</b>	<b>8.8</b>	<b>18.8</b>	<b>8.0</b>
<i>S&amp;P/TSX Composite Index</i>	<i>7.2</i>	<i>14.5</i>	<i>2.7</i>
<b>U.S. Equities</b>	<b>1.8</b>	<b>-1.2</b>	<b>-6.1</b>
<i>S&amp;P 500 Index</i>	<i>3.4</i>	<i>2.8</i>	<i>-5.9</i>
<b>Overseas Equities</b>	<b>8.0</b>	<b>8.8</b>	<b>-1.2</b>
<i>MSCI EAFE Index</i>	<i>9.2</i>	<i>11.5</i>	<i>-3.2</i>
<b>Bonds</b>	<b>3.2</b>	<b>7.3</b>	<b>8.0</b>
<i>SC Universe Bond Index</i>	<i>3.1</i>	<i>7.2</i>	<i>7.7</i>

Benchmark: 5% 91-Day T-Bills, 45% SC Universe, 20% S&P/TSX, 15% S&P 500, 15% EAFE

As of December 31, 2003		The Law Society Insurance Fund %	Benchmark* %
<b>Market Value:</b>	\$94.6 Million		
<b>Asset Mix:</b>	Cash & Short-term	2.4	5
	Bonds	42.5	45
	Canadian Equities	28.1	20
	U.S. Equities	12.2	15
	EAFE Equities	14.8	15

As of December 31, 2004		The Law Society Special Fund %	Benchmark* %
<b>Market Value:</b>	\$1.5 Million		
<b>Asset Mix:</b>	Cash & Short-term	2.7	5
	Bonds	42.5	45
	Canadian Equities	27.9	20
	U.S. Equities	12.2	15
	EAFE Equities	14.7	15

\*Benchmark: 5% 91-Day T-Bills; 45% SC Universe Bond Index; 20% S&P/TSX Composite Index; 15% S&P 500 Index; 15% MSCI EAFE Index

## Capital Market Review

### Major Indices

As of December 31, 2004	Three Months %	Twelve Months %	Four Years Annualized % p.a.	Ten Years Annualized % p.a.
S&P/TSX Composite Index	7.2	14.5	2.7	10.1
S&P 500 Index	3.4	2.8	-5.9	10.3
MSCI EAFE Index	9.2	11.5	-3.2	4.0
MSCI World ex Canada Index	6.0	6.2	-5.2	6.3
SC Universe Bond Index	3.1	7.2	7.7	9.0
SC Short-Term Bond Index	1.9	5.1	6.4	7.4
SC Long Term Bond Index	4.9	10.3	9.1	11.2
SC 30-Day T-Bill Index	0.6	2.2	3.0	4.1

### Sector Returns – Fourth Quarter 2004

Sector	S&P/TSX Composite %	S&P 500 %	MSCI EAFE %	MSCI World %
Consumer Discretionary	9.3	7.5	7.3	7.7
Consumer Staples	9.7	2.2	10.5	5.6
Energy	7.2	-0.8	2.8	1.2
Financials	7.8	2.2	13.2	7.6
Health Care	-5.2	-0.4	2.5	0.6
Industrials	10.6	4.1	8.5	5.9
Information Technology	4.6	7.5	7.0	7.3
Materials	3.2	2.8	8.2	5.9
Telecommunications Services	15.0	2.5	14.6	9.8
Utilities	12.2	6.2	10.8	8.6

## Review of Last Quarter's Strategy

### Asset Mix

*Last quarter...* our outlined strategy involved maintaining a modest overweight in equities despite looking for opportunities to reduce the portfolio's relative exposure due to concerns about decelerating earnings growth and the challenge of rising interest rates. We remained committed to maintaining a relative underweight in bonds as valuations, both relative to stocks and on an absolute basis, remained high.

- Strength in Canadian equities provided an opportunity to reduce the overall equity weighting late in the quarter. Proceeds were directed into overseas equities. Reflecting our view that bonds remained expensive, we also trimmed back exposure. By the end of the quarter, the portfolios' total equity weights were 55.1% in the Insurance Fund and 54.8% in the Special Fund, just slightly above the portfolios' benchmark of 50.0%, while bonds were moderately above 40% in both portfolios.

### Portfolio Asset Mix – Insurance Fund

	Guidelines %	Benchmark %	Sep/04 %	Dec/04 %
Cash & Short Term	5	5	0.0	2.4
Bonds	30 – 75	45	47.0	42.5
Equities: Canadian	10 – 30	20	28.3	28.1
U.S.	15 – 40	15	12.2	12.2
EAFE			12.5	14.8
Total Equities	25 – 70	50	53.0	55.1
<b>Total</b>		<b>100</b>	<b>100.0</b>	<b>100.0</b>

### Portfolio Asset Mix – Special Fund

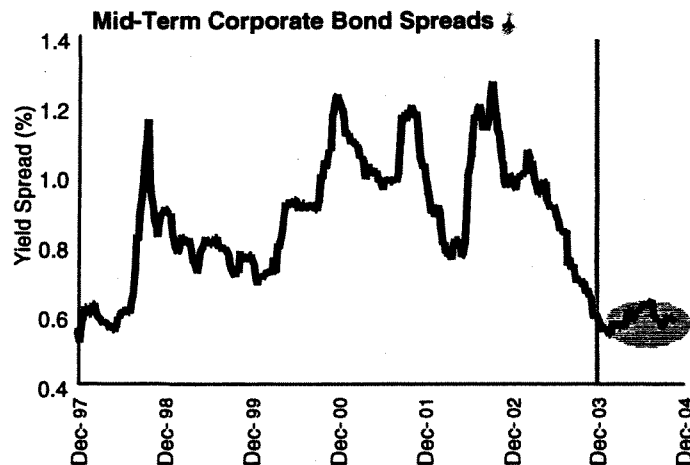
	Guidelines %	Benchmark %	Sep/04 %	Dec/04 %
Cash & Short Term	5	5	0.4	2.7
Bonds	30 – 75	45	47.2	42.5
Equities: Canadian	10 – 30	20	28.0	27.9
U.S.	15 – 40	15	11.8	12.2
EAFE			12.6	14.7
Total Equities	25 – 70	50	52.4	54.8
<b>Total</b>		<b>100</b>	<b>100.0</b>	<b>100.0</b>

## Fixed Income

*Last quarter...* we felt that interest rates were likely to increase and that the portfolio should have a bias to a shorter duration. Other opportunities would come from the being positioned for a flatter yield curve and from the holdings of provincial bonds.

- The impact of a strong Canadian dollar on economic growth has been a major influence on the bond market over the past few months. The Bank of Canada did not raise its overnight rate in December (following two rate increases in September and October), due to concerns that the strong currency was adequately slowing the economy. These developments caused all areas of the bond market to rally, particularly short-term bonds, as investors felt that yields would stay low for longer than expected. In this environment, our interest rate anticipation strategies had a modestly negative impact on performance, although the small sizing of these positions mitigated the impact on the portfolio.

- One of the key features of the bond market in 2004 has been the low level of volatility. This was well illustrated by the narrow range for corporate credit spreads during most of the year, with the fourth quarter being no exception. On average, corporate bonds outperformed over the past few months with strong corporate cash flows and



demand from investors for higher yields propelling this segment of the market. One of the symptoms of these favourable conditions has been the profusion of new issues, including a number of first time issuers, some of which were U.S. corporations. We took advantage of a number of these attractively priced new issues to modestly increase the portfolio's corporate exposure.

- The significant position in longer-term provincial bonds remains in the portfolio; yield spreads have narrowed modestly, but they remain wide compared to our view of fair value.



## Canadian Equities

*Last quarter...* not many changes to the basic structure of the Canadian equity portfolio were anticipated. We suggested the possibility of further reducing our exposure to the Materials sector and of adjusting some of our holdings among Financials.

- There was indeed little change to the domestic equity holdings. Within the Materials sector, we trimmed our position in **NOVA Chemicals**.
- No changes were made to the package of stocks within the Financials sector.
- Other positions trimmed on strength in the quarter included **Suncor** and **TELUS**. Proceeds were reinvested into **Encana**.
- We eliminated our position in **Bombardier**. Given that a key part of our investment thesis was confidence in management, CEO Paul Tellier's unexpected resignation prompted a re-evaluation of this investment. The restructuring of this company will require some patience, and there is a fair amount of execution still to come. Hence our decision to liquidate our remaining position at this time.

## Foreign Equities: U.S.

*Last quarter...* we sought possible additions within the Consumer Discretionary sector of the portfolio, and we expected to boost our holdings of "diversified financials" within the Financials sector.

- We added a few holdings to the Consumer Discretionary sector: **Gannett**, **McDonald's**, **Getty Images**, and **Kohl's**. Gannett publishes approximately 100 newspapers in the United States and the United Kingdom. McDonald's is a familiar name that is experiencing resurgence in sales at its restaurants following the introduction of healthier menu choices. Getty Images sells and licenses still and moving images to advertising and design agencies primarily via its website. Kohl's is a retailer offering name-brand apparel at low prices and convenient neighbourhood locations. We remain underweight the Consumer Discretionary sector, but with these additions to the portfolio our position is now only marginally lower than that of the S&P 500 Index.
- Our weighting in diversified financials is only slightly greater than it was at the start of the quarter, but there were a few changes made within this sub-sector. Our three smallest positions at the start of the quarter (**Northern Trust**, **SEI**, and **Legg Mason**) were sold, and the proceeds were used to purchase **JP Morgan Chase** and add to our holdings in **State Street**. JP Morgan recently merged with Bank One, and

we believe there are significant operational improvements to be realized as the two operations are integrated.

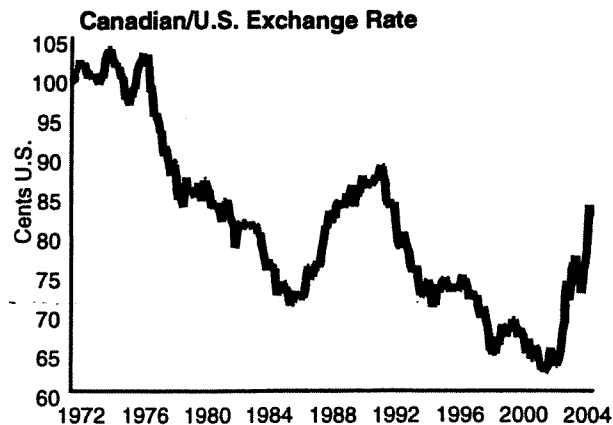
### **Foreign Equities: Overseas**

*Last quarter...* we expected to maintain a defensive stance in the portfolio, meaning that the portfolio was biased towards large-capitalization, established companies, many in Europe. We were starting to see some good values emerging in certain markets. In particular, Japan and the rest of Asia were beginning to reflect the pessimism that a slowdown in China was imminent. Korea in particular was seen as having some good prospects.

- Increasing the weighting in Japan and Asia continues, but on a gradual basis. Holdings in Japan were increased, although they remain at less than the Index. We added **Nippon Telephone & Telegraph**, and increased our weight in **Pioneer Corporation** (electronics). In Korea, we added **KT Corporation**, a large and established telecom company.
- In the quarter, a few other new names were added. **Lafarge** and **Hanson**, the largest cement and aggregates companies in the world were purchased at close to book value, and with low price earnings ratios of 10x to 11x. As autos and auto part companies have been much out of favour, we also added **Valeo** (European-based auto parts manufacturer) and **Volkswagen** at attractive valuation levels. The theme has been to find stocks that have lagged the markets and are selling at attractive valuation levels.

## Market Outlook and Strategy

Following its remarkable rebound in 2003, the Canadian dollar registered another strong showing in 2004. As shown in the adjacent chart, this amounts to the most rapid domestic currency adjustment of the past thirty years. Some key contributing factors were: buoyant commodity prices, the strong pace of recent global growth, and the continued slide of the U.S. dollar.



Canada's economic fundamentals remain quite favourable – ours is the only G7 country with surpluses in both government and foreign trade.<sup>1</sup>

In many respects, this currency appreciation is good for Canada – it lowers the cost of imported goods and services thus making Canadians wealthier, and potentially boosting productivity. It also reduces domestic inflationary pressures, which in turn, implies that businesses and households needing to borrow will continue to benefit from relatively low interest rates.

The key economic cost of a strong domestic currency is reflected in the area of foreign trade; with approximately half of their production destined for the U.S. market, Canadian manufacturers are meaningfully disadvantaged by a stronger 'loonie.' Consequently, the recent weakness in manufacturing employment is likely to persist through the coming year. We should stress, however, that this is not likely to be a repeat of the awful conditions of the early 1990s, when a rise in the dollar contributed to severe weakness in this sector. The main reasons are: first, in the early 1990s, corporate and government finances were in dreadful shape and are much improved today. Second, today's interest rates are considerably lower than they were in 1990. While we expect the Bank of Canada will raise interest rates in the coming year – although not necessarily in the next few months – they remain relatively low and will continue to support growth. Finally, in contrast to the early 1990s, when a U.S. recession added to the woes of Canadian manufacturers, we expect U.S. demand will remain relatively robust in 2005.

Although the U.S. Federal Reserve remains concerned about inflation and will therefore likely continue to raise interest rates in 2005, renewed employment growth and relatively

<sup>1</sup> The G7 countries include Canada, France, Germany, Italy, Japan, the U.K., and the U.S.

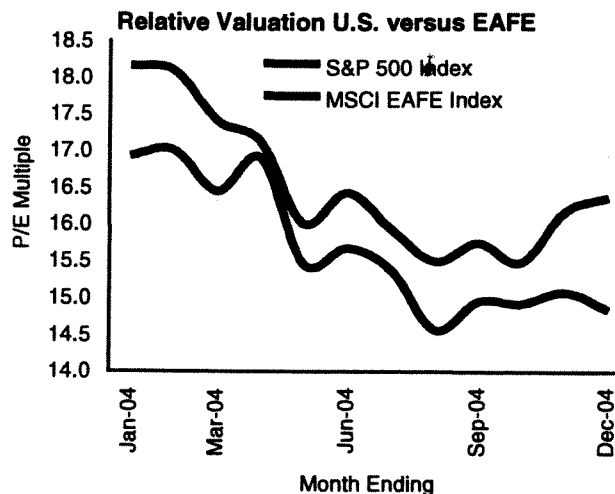
strong business investment will likely keep the expansion on track. Strong U.S. demand will help support Canadian exports, and mitigate the impact of a stronger Canadian dollar. All of these factors should go a long way towards helping avoid a repeat of Canada's economic difficulties during the early 1990s.

### Asset Mix

Equity markets have enjoyed strong gains since their lows of 2002. While economic fundamentals are not deteriorating markedly, earnings growth is decelerating, interest rates are rising and equities are trading close to fair value with the S&P 500 Index and the TSX Composite Index at 17 and 15 times 2005 earnings, respectively. Lower oil prices, less volatile foreign exchange markets and continued, albeit moderate, global growth could set the stage for an extension of the recent equity market rally; however, the environment for equities in 2005 is likely to be challenging.

We continue to favour Canadian stocks over foreign market alternatives.

Within the foreign context, however, EAFE markets are more attractive on a relative valuation basis (see adjacent chart), and our continued concerns about the value of the American dollar have prompted us to diversify away from U.S. dollar assets.



Bonds remain overvalued. While current inflation readings are still fairly benign, particularly in Canada, the outlook for U.S. inflation is changing. Productivity growth is slowing, resulting in a rise in unit labour costs. The decline in the U.S. dollar is manifesting itself in higher import prices and we are starting to see these higher costs being passed through to final prices. U.S. Treasuries are also at risk if the marginal buyers, namely Asian central banks, opt to diversify their considerable holdings of U.S. dollar assets. The risk/reward trade-off continues to favour an underweight position in this asset class.

As mentioned, we have built up cash in the portfolio this quarter; however, our intention will be to deploy these reserves into bonds should valuations improve.

## **Bond Market Outlook**

Given our view that the market is underestimating the degree of monetary tightening likely in 2005, we anticipate modestly higher bond yields over the next year, particularly for short-term and real return bonds. There are, however, some risks to this scenario. For example: further weakness in the U.S. dollar could disrupt financial markets; a "hard landing" in China (which accounts for almost one quarter of the world's industrial production); and, more instability in the global geopolitical situation would lead to lower yields, or would, at least, prevent them from moving higher.

In summary, while higher bond yields are likely, we remain cautious. The existing bias to a short duration will be maintained, and hopefully, we will get an opportunity to become more aggressive in terms of the size of this position. The portfolio's yield curve strategy and its exposure to provincial bonds should provide sources of value-added, as should exposure to corporate issues. Within the corporate sector, we remain over-weight but defensive, namely, higher quality issuers and shorter duration.

## **Equity Market Outlook**

### ***Canada***

Our strategy continues to focus on stock picking as opposed to macro-dependent themes. With only modest valuation differentials across industries as well as between companies, many of the opportunities we see relate to upgrading to higher growth, higher profitability companies for little or no increase in valuation. Examples of this would include additions to our holdings in **Encana** and **Thompson Corporation**. We also expect that avoiding stocks that disappoint will be as important to overall portfolio performance as picking the "winners". From an industry perspective, we will continue to selectively reduce our Materials holdings, as this sector has become extremely popular with investors, and appears fully valued. Over the longer term, we believe most Materials companies are not superior businesses and will be challenged to deliver above average earnings, cash flow and dividends to shareholders.

Our general approach is unchanged; we continue to focus on companies with pricing power, solid financial positioning, and where proactive managements are taking advantage of superior competitive positions to grow internally and through selective acquisition. In summary, we believe the best managed companies will be able to deliver outsized fundamental performance in a weak environment, and these fundamental gains will translate into superior share price performance.

### ***Foreign Equities: U.S.***

Health Care was the weakest sector in 2004. Pharmaceutical companies have struggled, with growing competition from generic drugs as patents expire, less productive research to discover new treatments, and adverse side effects resulting in reduced sales from some important products. We believe we are close to seeing the point of maximum pessimism from investors towards this group, with a lot of bad news already out and behind us, and valuations at or near historical lows for most companies.

From these levels, just a small amount of positive news could spark a meaningful rebound in the group. For example, the Canadian government is considering halting the cross-border flow of our price-controlled medications to U.S. citizens, rightfully fearing that this activity could eventually lead to shortages and/or higher prices for Canadians. While we already have some holdings within the Pharmaceuticals, these companies could become a much more significant part of the portfolio in 2005.

Within the Technology sector through most of 2004, our focus has been on the stable Software and Services industry. As we start 2005, we believe this will continue to be the right area to concentrate in, but that this may change as the year unfolds. The semiconductor business cycle appears set to bottom later this year, setting the stage for a powerful rally in this group. Currently, valuations for semiconductor companies are reasonable, but not cheap, and above-normal inventory levels must be worked through. Either lower valuations or improving inventory levels will provide the catalyst for us to increase our commitment to current portfolio holdings such as **Linear Technology**, **Maxim**, and **Texas Instruments**.

### ***Foreign Equities: Overseas***

EAFE markets, in tandem with their North American equivalents, have risen significantly since the lows of 2002. With our close focus on value in these markets, it is getting harder to find bargains. The focus remains on finding good quality companies at below-market valuations. Usually these are stocks that have lagged the market, are temporarily out of favour, or have been overlooked.

Currently those themes are leading us to increase our weight in basic industries. This covers the spectrum from service companies in industries as diverse as catering and food services to postal delivery. As well, we are seeing some good value emerging in the auto sector, where pessimism abounds. The common theme between all of these companies is attractive valuations, based on price-earnings and price-to-book ratios, strong balance sheets, and a well-established position in their various industries.

We have written before about widespread expectations of a slowdown (or crash) in the Chinese economy, and how those fears are creating some opportunities. While there are some initial signs that this may actually be occurring, we feel it is still early, and that our go-slow approach to building positions in Asia is the correct approach for now.