

LAW FOUNDATION OF NOVA SCOTIA

ANNUAL REPORT



Administration

The Foundation is administered by a Board of Governors consisting of up to nine members. Up to five directors are appointed by the Governor in Council and four by the Nova Scotia Barristers' Society. The members of the Board of Governors in 2004-05 were:

Appointed by the Governor in Council:

Jonathan F.L. Davies, Q.C. (expires June 1, 2006)
Christine A. McCulloch, Q.C. (expires December 19, 2005)

Appointed by the Council of the Nova Scotia Barristers' Society:

Peter Green, Q.C. (expires August 31, 2005)
Robert G. MacKeigan, Q.C. (expires August 31, 2005)
Margaret M. MacKenzie (expires August 31, 2006)
A. Robert Sampson, (expires August 31, 2006)

Chair, appointed by the Governor in Council on the recommendation of the Council of the Nova Scotia Barristers' Society:

Christine A. McCulloch, Q.C. (Appointment as Chair expires December 19, 2005)

The Board meets four times per year, and reviews grant applications at its winter meeting. The Foundation employs a part-time Executive Director, Kerry Oliver, and a part-time Executive Assistant, Kathy Samson.

Information concerning the Foundation's funding guidelines and grant application procedure may be obtained by contacting the Executive Director, or by visiting the Foundation's website at www.nslawfd.ca



REPORT FROM THE CHAIR

Since the Law Foundation of Nova Scotia was established in 1976, it has awarded more than \$20 million in grants to more than 250 organizations to support legal programs and services that benefit the people of Nova Scotia. The programs and services funded by the Foundation also provide indirect benefits to the legal profession and the justice system. Many programs guide and support the clients who come to lawyers for legal advice and representation. Others provide assistance to unrepresented litigants before the courts.

In 2004-2005, the Foundation approved 19 grants totalling \$1,139,181, an increase of 20% over total grants approved in 2003-2004. Approximately 73% of these grants will promote legal education and public access to the law in Nova Scotia. The remainder will support the administration of justice in the province and encourage research and reform of the law.

The Board of Governors strives to be accountable in the

distribution of funds received by the Foundation from interest accruing on lawyers' pooled trust accounts. To ensure that potential grantees understand the application process, assistance is available to those who need help with their funding proposals. The Board endeavours to be transparent and consistent in its evaluation of applications. It takes into consideration where programs will operate and who will benefit from them, as well as whether they fit within the Foundation's mandate. Accountability extends to the careful assessment and consistent monitoring of programs that receive funding.

The Foundation's goal is to make the best use of the funds to support the best projects that will benefit the most people. With that in mind, the Board implemented a formal business planning process in 2004-2005 to identify priorities and emerging issues, and to ensure it continues to make informed decisions that respond to the needs of Nova Scotians.

“ **The Foundation's goal is to make the best use of the funds to support the best projects that will benefit the most people.** ”

“ **With the prime rate at its current level of 4.25%, the Foundation is projecting an increase in revenue in 2005-2006, assuming balances in lawyers' trust accounts remain stable.** ”

REVENUE

The Law Foundation's ability to make grants depends on revenue generated primarily from interest on lawyers' pooled trust accounts. The Foundation keeps these funds invested until distribution. Trust account revenue fluctuates with the balances in the accounts and the prime rate of interest.

The prime rate fell in the second quarter of 2004-2005, reducing the average for the year to 4.04% compared to 4.60% in 2003-2004. As a result, revenue dropped from \$1,206,674 in 2003-2004 to \$1,100,712 in 2004-2005.

With the prime rate at its current level of 4.25%, the Foundation is projecting an increase in revenue in 2005-2006, assuming balances in lawyers' trust accounts remain stable.

The Foundation has arrangements with financial institutions for payment of interest at varying rates. We are pleased to report that more favourable agreements negotiated this year with the Royal Bank and with all Credit Unions in the province should produce increased revenue in 2005-2006.

RESERVE FUND

The Foundation established a reserve fund in 1986 to be used to maintain regular grants in periods of low interest rates when current income is insufficient to fund these grants. Most other Canadian law foundations hold similar reserves.

At the beginning of this fiscal year, the reserve fund had a cost and market value of \$2,008,178 and \$2,189,406 respectively. As of March 31, 2005, it had a total cost of \$2,178,110 and a market value of \$2,353,828. During the 2004/5 fiscal year, dividends, interest, realized gains and changes in unrealized appreciation totaled approximately \$141,440, net of management fees.



GRANTS

Law Foundation Scholarship Fund

The Foundation established a trust fund in 1981 with an initial grant of \$200,000 to provide scholarships to students attending Dalhousie Law School. There have been several contributions by the Law Foundation to the fund over the years. The fund provides scholarships for students entering first year, renewable in second and third years. The fund also provides fellowships at the graduate level. In 2004-2005, 17 students were awarded scholarships totalling \$180,000.00. Five entrance scholarships and eleven second and third-year scholarships of \$10,000 were awarded. There was one graduate fellowship of \$20,000.

In response to rising tuition costs, the Trustees of the Fund have increased the amount of the scholarship to \$13,000 for five students entering first year, renewable at the same level in second and third years. These changes will take effect for the academic term commencing September 2005.

grants budget at this level for the past two years has placed the Foundation in a better financial position, thus allowing it to increase grants for 2005-2006 to \$1,139,181.

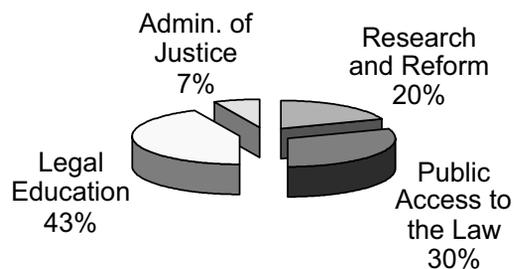
For purposes of this report, grants are categorized according to the Foundation's four mandated objectives. Activities of many of the funded organizations fall under more than one of the objectives.

| | |
|---------------------------|--------------------|
| Research and Reform | \$222,260 |
| Public Access to Law | \$345,943 |
| Legal Education | \$492,614 |
| Administration of Justice | \$78,364 |
| Total | \$1,139,181 |

2004-2005 Grants

The Foundation maintained a grants budget of approximately \$950,000 in 2003-2004 and 2004-2005 to counter the effects of a 40% drop in revenue during 2001 - 2002 and a 33% drop in revenue in 2002 - 2003. Maintaining the

Grants Approved in 2004-2005





LAW FOUNDATION OF NOVA SCOTIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

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AUDITORS' REPORT

To The Board of Governors of the Law Foundation of Nova Scotia

We have audited the statement of financial position of the Law Foundation of Nova Scotia as at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Law Foundation of Nova Scotia derives substantially all of its revenue from interest credited by financial institutions on Nova Scotia Barristers' Society members' mixed trust funds which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts received from financial institutions and recorded in the records of the Law Foundation of Nova Scotia.

In our opinion, except for the effect of the adjustments, if any, had interest credited by financial institutions been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 and the results of its operations, changes in net assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

W B L I CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

April 25, 2005

LAW FOUNDATION OF NOVA SCOTIA

LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2005

| | 2005 | 2004 |
|---|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 296,556 | 480,288 |
| Accrued interest receivable - general | 34,458 | - |
| Accrued interest receivable - restricted | 4,236 | 3,312 |
| Due from Dalhousie Law School Fund | 13,128 | - |
| Prepaid expenses | 2,142 | 2,863 |
| | 350,520 | 486,463 |
| INVESTMENTS - GENERAL (note 3) | 856,371 | 627,017 |
| INVESTMENTS - RESTRICTED (note 4) | 2,178,110 | 2,008,178 |
| LONG-TERM ACCRUED INTEREST RECEIVABLE - GENERAL | - | 19,056 |
| PROPERTY, PLANT AND EQUIPMENT (note 5) | 3,530 | 5,218 |
| | 3,388,531 | 3,145,932 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 9,803 | 6,109 |
| Designated grants payable (note 6) | 1,092,162 | 889,151 |
| | 1,101,965 | 895,260 |
| NET ASSETS | | |
| GENERAL FUND | 104,220 | 239,182 |
| RESTRICTED FUND | 2,182,346 | 2,011,490 |
| | 2,286,566 | 2,250,672 |
| | 3,388,531 | 3,145,932 |
| COMMITMENT (note 7) | | |

APPROVED ON BEHALF OF THE BOARD

Governor

Governor





LAW FOUNDATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

| | 2005 | 2004 |
|---|----------------------|--------------------|
| | \$ | \$ |
| REVENUE | | |
| Interest on trust accounts | 1,126,711 | 1,206,653 |
| Interest on investments | 20,321 | 31,720 |
| Gain on disposal of investments | 5,891 | 2,709 |
| | <u>1,152,923</u> | <u>1,241,082</u> |
| GRANTS (note 6) | <u>1,136,734</u> | <u>948,270</u> |
| | <u>16,189</u> | <u>292,812</u> |
| EXPENDITURES | | |
| Salaries and benefits | 92,996 | 87,200 |
| Accounting and audit | 13,396 | 10,727 |
| Rent and common area | 12,552 | 9,976 |
| Office | 6,947 | 6,036 |
| Telephone | 2,624 | 2,897 |
| Consulting | 7,640 | 2,758 |
| Travel and meetings - board | 3,664 | 1,474 |
| Travel - staff | 3,618 | 3,687 |
| Bank charges | 884 | 858 |
| Brokers' and investment management fees | 4,760 | 6,352 |
| Miscellaneous | 382 | 1,215 |
| Amortization | 1,688 | 2,558 |
| | <u>151,151</u> | <u>135,738</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>(134,962)</u> | <u>157,074</u> |
| GENERAL FUND - beginning of year | <u>239,182</u> | <u>82,108</u> |
| GENERAL FUND - end of year | <u>104,220</u> | <u>239,182</u> |

LAW FOUNDATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND
FOR THE YEAR ENDED MARCH 31, 2005

| | 2005 | 2004 |
|--|------------------|------------------|
| | \$ | \$ |
| REVENUE | | |
| Interest on investments | 18,714 | 17,623 |
| Dividend income | 37,267 | 30,049 |
| Gain on disposal of investments | 157,453 | 34,383 |
| | <u>213,434</u> | <u>82,055</u> |
| EXPENDITURES | | |
| Brokers' and investment management fees | 40,846 | 37,869 |
| Foreign exchange loss | 1,732 | 1,149 |
| | <u>42,578</u> | <u>39,018</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>170,856</u> | <u>43,037</u> |
| RESTRICTED FUND - beginning of year | <u>2,011,490</u> | 1,968,453 |
| RESTRICTED FUND - end of year | <u>2,182,346</u> | <u>2,011,490</u> |

LAW FOUNDATION OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005



| | 2005 | 2004 |
|--|------------------|-----------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures | 35,894 | 200,111 |
| Amortization | 1,688 | 2,558 |
| Approved grants | 1,136,734 | 948,270 |
| Payment of grants | (933,723) | (948,029) |
| Gain on disposal of investments - general | (5,891) | (2,709) |
| Gain on disposal of investments - restricted | (157,453) | (34,383) |
| | <u>77,249</u> | 165,818 |
| Change in noncash working capital balances | | |
| Accrued interest receivable - general | (34,458) | 409 |
| Accrued interest receivable - restricted | (924) | 1,959 |
| Due from Dalhousie Law School Fund | (13,128) | - |
| Prepaid expenses | 721 | (617) |
| Long-term accrued interest receivable - general | 19,056 | (2,187) |
| Accounts payable and accrued liabilities | 3,694 | (1,914) |
| | <u>52,210</u> | 163,468 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Investments - General | | |
| Purchase of investments | (841,153) | (437,930) |
| Proceeds on disposal of investments | 630,444 | 272,124 |
| Investments - Restricted | | |
| Purchase of investments | (1,450,912) | (594,755) |
| Proceeds on disposal of investments | 1,420,186 | 627,505 |
| | <u>(241,435)</u> | (133,056) |
| CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR | (189,225) | 30,412 |
| CASH AND EQUIVALENTS - beginning of year | 583,539 | 553,127 |
| CASH AND EQUIVALENTS - end of year (see note below) | 394,314 | 583,539 |

NOTE:

CASH AND EQUIVALENTS

Cash and equivalents is comprised of the following items at year end:

| | 2005 | 2004 |
|--|----------------|---------|
| | \$ | \$ |
| Cash | 296,556 | 480,288 |
| Cash - investments - general (note 3) | 15,218 | 2,464 |
| Cash - investments - restricted (note 4) | 82,540 | 100,787 |
| | <u>394,314</u> | 583,539 |

LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

1. DESCRIPTION OF OPERATIONS

The Law Foundation was established in 1976 by a Nova Scotia statute and is exempt from income tax. Its purpose is to grant funds to groups for projects connected with the law.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments - General

The investments in the general fund are recorded at cost.

Investments - Restricted

The investments in the restricted fund, that have been restricted by the Foundation's board of governors, are recorded at cost.

Revenue Recognition

Interest on trust accounts is recorded on a cash basis when received. Interest on investments is recorded on the accrual basis. Dividend income is recorded on a cash basis when received. Capital gains and losses on disposals of investments are recognized when realized.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Amortization is provided using the following annual rates and methods:

| | Rate | Method |
|------------------------|-------------|---------------------|
| Office equipment | 20% | Diminishing balance |
| Furniture and fixtures | 20% | Diminishing balance |
| Computer hardware | 3 years | Straight line |
| Computer software | 3 years | Straight line |

Fund Accounting

The board of governors has internally restricted funds to finance future operations of the Foundation. The net investment income earned on these assets is recorded in the restricted fund.

The general fund accounts for the Foundation's day-to-day activities which include the interest income on lawyers' trust accounts, the interest income on the investments, less grants approved and paid, and the administrative expenses relating to the running of the Foundation.

LAW FOUNDATION OF NOVA SCOTIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005



3. INVESTMENTS - GENERAL

At March 31, 2005, the Foundation's investments held in the general fund are comprised of the following:

| | 2005 | 2004 |
|---|-----------------------|----------------|
| | \$ | \$ |
| Fixed income funds (market value - \$854,799; 2004 - \$653,928) | 841,153 | 624,553 |
| Cash | 15,218 | 2,464 |
| | <u>856,371</u> | <u>627,017</u> |

At March 31, 2005, the Foundation's fixed income investments held in the general fund are comprised of the following:

| | 2005 |
|--|---------------|
| | \$ |
| Canada Housing Trust Series I - due June 15, 2006 with yield to maturity of 5.53% and face value of \$64,000 | 66,645 |
| Government of Canada Bonds- due October 1, 2008 with yield to maturity of 4.25% and face value of \$77,000 | 77,729 |
| Government of Canada - due June 1, 2013 with yield to maturity of 5.25% and face value of \$41,000 | 42,456 |
| Government of Canada - due June 1, 2005 with yield to maturity of 3.50% and face value of \$85,000 | 85,651 |
| Government of Canada - due September 1, 2007 with yield to maturity of 4.50% and face value of \$41,000 | 41,957 |
| Province of British Columbia - due January 9, 2012 with yield to maturity of 5.75% and face value of \$74,000 | 78,156 |
| Province of Manitoba - due March 2, 2009 with yield to maturity of 5.25% and face value of \$74,000 | 76,943 |
| Province of Ontario - due November 19, 2010 with yield to maturity of 6.10% and face value of \$71,000 | 76,419 |

LAW FOUNDATION OF NOVA SCOTIA NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

3. INVESTMENTS - GENERAL (continued)

| | |
|---|-----------------------|
| Province of Ontario Series DMTN93 Non-Callable - due March 8, 2014 with yield to maturity of 5.00% and a face value of \$79,000. | 78,085 |
| BCE Inc Series B Note - due October 30, 2007 with yield to maturity of 6.75% and a face value of \$40,000 | 43,015 |
| BMO Capital Trust Call - due December 31, 2049 with yield to maturity of 6.90% and a face value of \$39,000 | 42,731 |
| Hydro One Inc. Medium Term Note - due November 15, 2012 with yield to maturity of 5.77% and a face value of \$41,000 | 42,822 |
| RCB Capital Trust II Call - due June 30, 2011 with yield to maturity of 7.18% and a face value of \$40,000 | 44,455 |
| Scotiabank Capital Trust Scotia BATS III Series 2003-1 - due June 30, 2013 with yield to maturity of 6.28% and a face value of \$42,000 | 44,089 |
| | <u>841,153</u> |

4. INVESTMENTS - RESTRICTED

The Foundation has internally restricted funds totaling \$2,182,346 (2004 - \$2,011,490) for the purpose of covering continuing commitments should the Foundation not have sufficient resources to maintain its future grants. This amount includes accrued interest receivable of \$4,236 (2004 - \$3,312). At March 31, 2005, the Foundation's investments held in the restricted fund are comprised of the following:

| | 2005 | 2004 |
|---|-------------------------|------------------|
| | \$ | \$ |
| Equities (market value - \$1,908,466; 2004 - \$1,774,855) | 1,739,483 | 1,608,226 |
| Fixed income funds (market value - \$362,822; 2004 - \$313,764) | 356,087 | 299,165 |
| Cash | 82,540 | 100,787 |
| | <u>2,178,110</u> | <u>2,008,178</u> |



LAW FOUNDATION OF NOVA SCOTIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

4. INVESTMENTS - RESTRICTED (continued)

At March 31, 2005, the Foundation's fixed income investments held in the restricted fund are comprised of the following bonds:

| | 2005 |
|--|---------------|
| | \$ |
| Canada Housing Trust Series I - due June 15, 2006 with yield to maturity of 5.53% and face value of \$27,000 | 28,148 |
| Government of Canada Bonds - due September 1, 2008 with yield to maturity of 4.25% and face value of \$32,000 | 32,115 |
| Government of Canada - due June 1, 2013 with yield to maturity of 5.25% and face value of \$18,000 | 18,637 |
| Government of Canada - due June 5, 2005 with yield to maturity of 3.50% and face value of \$36,000 | 36,307 |
| Government of Canada - due October 1, 2007 with yield to maturity of 4.5% and face value of \$18,000 | 18,434 |
| Province of British Columbia - due January 9, 2012 with yield to maturity of 5.75% and face value of \$31,000 | 32,699 |
| Province of Manitoba - due March 2, 2009 with yield to maturity of 5.25% and face value of \$32,000 | 33,292 |
| Province of Ontario - due November 19, 2010 with yield to maturity of 6.10% and face value of \$30,000 | 32,278 |
| Province of Ontario Series DMTN93 Non-callable - due March 8, 2014 with yield to maturity of 5.00% and face value of \$34,000 | 33,621 |
| BCE Inc Series B Note - due October 30, 2007 with yield to maturity of 6.75% and face value of \$17,000 | 18,305 |
| BMO Capital Trust Call - due December 31, 2049 with yield to maturity of 6.90% and face value of \$16,000 | 17,584 |

LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

4. INVESTMENTS - RESTRICTED (continued)

| | |
|--|-----------------------|
| Hydro One Inc Medium Term Note - due November 15, 2012 with yield to maturity of 5.77% and face value of \$17,000 | 17,675 |
| RBC Capital Trust II Call - due June 30, 2011 with yield to maturity of 7.18% and face value of \$17,000 | 18,056 |
| Scotiabank Capital Trust Scotia BAT III Series - due June 30, 2013 with yield to maturity of 6.28% and face value of \$18,000 | <u>18,936</u> |
| | <u>356,087</u> |

5. PROPERTY, PLANT AND EQUIPMENT

| | <u>2005</u> | | <u>2004</u> | |
|------------------------|---------------|-----------------------------|--------------|--------------|
| | Cost | Accumulated Amortization | Net | Net |
| | \$ | \$ | \$ | \$ |
| Office equipment | 21,449 | 18,938 | 2,511 | 3,139 |
| Furniture and fixtures | 4,582 | 3,563 | 1,019 | 1,274 |
| Computer hardware | 8,258 | 8,258 | - | 805 |
| Computer software | 5,225 | 5,225 | - | - |
| | <u>39,514</u> | <u>35,984</u> | <u>3,530</u> | <u>5,218</u> |

6. DESIGNATED GRANTS

The Board of Governors has approved grants totaling \$1,139,181 less \$2,447 of grants revoked relating to the previous year, for a net of \$1,136,734, during the year ended March 31, 2005 (2004 - \$948,270). Grants that have been approved but remain unpaid at year end are reported as liabilities.

LAW FOUNDATION OF NOVA SCOTIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005



7. COMMITMENT

The Foundation rents its premises under a long-term lease which expires June 30, 2009. The annual base rental for this lease is \$4,680 plus common area costs. The estimated total common area costs for the upcoming fiscal year are \$7,714.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accrued interest receivable, due from Dalhousie Law School Fund and accounts payable is approximately equal to their carrying value due to their short-term maturity dates.

The fair value of investments is approximately equal to their quoted market value.

