Grant Thornton

Financial Statements

Pension Plan For CUPE Employees of New Brunswick Hospitals

December 31, 2010

Contents

Independent auditor's report

Grant Thornton LLP
4th Floor
570 Queen Street, PO Box 1054
Fredericton, NB
E3B 5C2

T (506) 458-8200
F (506) 453-7029
www.GrantThornton.ca

To the Board of Trustees of the Pension Plan for CUPE Employees of New Brunswick Hospitals

We have audited the accompanying financial statements of the Pension Plan for CUPE Employees of New Brunswick Hospitals which comprise the statement of accrued pension benefits and net assets available for benefits as at December 31, 2010, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

Grant Thornton

Independent auditors' report (Cont'd)

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the accrued pension benefits and net assets available for benefits of the Pension Plan for CUPE Employees of New Brunswick Hospitals as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with the Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the pension plan's accrued pension benefits exceed its net assets available for benefits by $199,566,143. This situation, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the pension plans ability to continue as a going concern.

Grant Thornton LLP

Fredericton, NB
July 20, 2011

Chartered Accountants

Pension Plan For CUPE Employees Of New Brunswick Hospitals
Statement of Accrued Pension Benefits and Net Assets Available for Benefits

December 31,	2010	2009
Accrued Pension Benefits		
Actuarial value of accrued pension benefits (Note 9)	**$ 658,017,000**	$ 615,509,000
Assets		
Investments		
Short term instruments	**12,921,156**	7,696,301
Fixed income	**182,000,944**	174,349,463
Canadian equities	**120,702,985**	107,943,602
Foreign equities	**138,753,669**	128,807,388
	454,378,754	418,796,754
Receivables		
Employee contributions	**1,929,019**	1,719,145
Employer contributions	**1,812,909**	1,650,050
Accrued interest and dividends	**1,016,918**	1,031,088
	4,758,846	4,400,283
Prepaids	**935**	880
Cash	**225,137**	374,292
	459,363,672	423,572,209
Liabilities		
Accounts payable	**527,597**	458,045
Pension commuted value payable	**347,677**	-
Pension refunds payable	**37,541**	505,750
	912,815	963,795
Net assets available for benefits	**458,450,857**	422,608,414
Deficiency of net assets available for benefits over actuarial value of accrued pension benefits	**$(199,566,143)**	$(192,900,586)

Subsequent event (Note 11)

ON BEHALF OF THE BOARD OF TRUSTEES

See accompanying notes to the financial statements.

Pension Plan For CUPE Employees
Of New Brunswick Hospitals
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31,	**2010**	2009
Increase in assets		
Contributions		
Employee	**$ 13,325,288**	$ 12,409,039
Employer	**13,041,562**	12,056,124
Reciprocal transfers	**487,807**	1,535,931
	26,854,657	26,001,094
Investment income		
Fixed income and short term	**8,539,658**	8,343,785
Equities	**5,716,806**	5,017,893
	14,256,464	13,361,678
Securities lending	**19,060**	28,244
Realized gain (loss) on sale of investments	**3,180,590**	(4,564,660)
Unrealized current period change in market value of investments	**23,471,516**	49,945,812
Total increase in assets	**67,782,287**	84,772,168
Decrease in assets		
Benefit payments		
Pensions	**27,426,170**	25,846,267
Refunds	**1,604,739**	3,932,911
Reciprocal transfers	**569,307**	3,770,452
Marriage breakdown	**57,084**	183,235
	29,657,300	33,732,865
Fees and expenses		
Investment management fees	**1,166,505**	1,027,424
Administrative expenses	**948,981**	936,236
Custodial fees	**18,478**	26,203
Performance measurement fees	**59,356**	59,815
Transaction costs	**61,224**	73,472
Compliance reporting fees	**28,000**	28,000
	2,282,544	2,151,150
Total decrease in assets	**31,939,844**	35,884,015
Increase in net assets	**35,842,443**	48,888,153
Net assets available for benefits, beginning of year	**422,608,414**	373,720,261
Net assets available for benefits, end of year	**$ 458,450,857**	$ 422,608,414

See accompanying notes to the financial statements.

1. Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Pension Plan will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

However, several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Pension Plan has incurred significant deficiency in net assets available for benefits in the amount of $199,566,143.

The Pension Plan's continued existence is dependent upon its ability to restore and maintain sustainable contributions, investment returns and benefits to members.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate because the Board of Trustees have commenced actions that could mitigate the adverse conditions and events which raise doubts about the validity of the "going concern" assumption used in preparing these financial statements.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported increases and decreases in net assets, and the classifications used in the statement of accrued pension benefits and net assets available for benefits.

2. Description of Plan

The following description of the Pension Plan for CUPE Employees of New Brunswick Hospitals is a summary only. For more information, reference should be made to the Plan Document.

(a) General

The Plan is a defined benefit pension plan covering full-time CUPE Employees of the New Brunswick Hospital sector. The benefits as defined in the pension plan may be modified from time to time by the Board of Trustees upon advice from the Plan's actuary.

(b) Funding Policy

Contributions are made by the Plan members and the Plan sponsor to fund the benefits determined under the Plan. The determination of the value of benefits is made on the basis of an actuarial valuation (see Note 6).

2. Description of Plan (Continued)

(c) Service pensions

A member who retires at age 60 is entitled to an annual pension at retirement equal to the product of:

I. the number of years of the member's pensionable service prior to January 1997, and

II. the difference between:

   (a) 2% of the annual average of the member's earnings in the period of five consecutive years during which such earnings are highest, and
   (b) 0.25% of the annual average of the members basic earnings (i.e., average earnings up to the YMPE) during the period referred to in (a) above;

plus the product of:

III. the number of years of the member's pensionable service after December 31, 1996 and the difference between:

   (a) 2% of the annual average of the members' earnings in the period of five consecutive years during which such earnings are highest, and
   (b) 0.6% of the annual average of the members basic earnings (i.e., average earnings up to the YMPE) during the period referred to in (a) above;

Pension benefits are indexed at a flat 2% per year. A member may elect a basic pension, providing a life pension with a guarantee period of 5 years, or one of five optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guarantee period of 10 years; 3) joint life and last survivor pension at 50%; 4) joint life and last survivor pension at 66 2/3%; 5) joint life and last survivor at 100%.

Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years of continuous employment. Reduced benefits are available at age 55 with 5 years of continuous employment. A member who elects to take an early retirement will also receive a temporary bridging benefit payable to age 65 equal to $18 per month per year of pensionable service.

(d) Disability pensions

A disability pension is not provided for under the terms of the Plan Agreement.

(e) Death benefits

If a member dies prior to retirement and before completing 5 years continuous employment, the benefit payable to the members beneficiary or estate is a refund of all contributions made by the member with accumulated interest.

2. Description of Plan (continued)

If a member dies prior to retirement and has completed 5 or more years of continuous employment, the beneficiary or estate shall be paid the commuted value. The commuted value is, as at the date of the member's death, the deferred pension to which the member would have been entitled had the member's continuous employment terminated just prior to their death. In addition, excess contributions (if applicable) to which the member would have been entitled would be refunded to the designated beneficiary or estate.

If a member dies after retirement, the death benefit payable is determined in accordance with the provisions of the form of pension selected by the member.

(f) Benefits on termination

A member who has less than five years of continuous employment and is terminated is entitled to a refund of contributions made to the Plan with accumulated interest.

Currently, a member with more than 5 years continuous employment who is terminated may elect to receive a deferred pension commencing as early as age 55 or an amount equal to the commuted value of the pension benefit as at the date of the member's termination. In addition, excess contributions (if applicable) to which the member is entitled shall be refunded to the member in cash or transferred to a non-locked in RRSP should sufficient RRSP room be available. The commuted value of the pension benefit is to be transferred on a locked-in basis to any registered retirement savings arrangement where the transfer is allowed under the Pension Benefits Act. Effective January 1, 2009, members who terminate their employment and are immediately eligible to receive a monthly pension benefit will no longer have the option of receiving a transfer of the commuted value of their pension.

(g) Income taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to taxes on income.

3. Summary of significant accounting policies

(a) Basis of presentation

These financial statements are prepared on the basis of accounting principles applicable to a going concern and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. The application of the going concern concept is dependent upon the Plan's continued ability to receive sufficient pension contributions and obtain sufficient investment returns to cover the Plan's unfunded liability. If the pension contributions and investment returns are not sufficient to cover the Plan's unfunded liability, management may need to recommend either an increase in contributions or a reduction in benefits sufficient to allow the Plan to operate on a sound financial basis with the funds available.

3. Summary of significant accounting policies (Continued)

These financial statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Investments

All investments are recorded as of settlement date. Investments are carried at fair value. The fair value of investments is based on closing market quotations as of December 31.

(c) Foreign currency translation

Investments in equities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the statement of net assets available for benefits.

(d) Pension Contributions

Contributions from Members and the Hospitals are recorded in the period that payroll deductions are made; and accrued up to year-end for payroll periods that extend to the subsequent fiscal year.

(e) Use of estimates

In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Significant estimates in these financial statements include accrued pension benefits liability and certain disclosures respecting fair value of investments, investment risk and related sensitivity analysis. Actual results could differ from these estimates.

4. Change in accounting policies

Future Accounting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that 1 January 2011 will be the date that International Financial Reporting Standards (IFRS) and Accounting Standards for Private Enterprises (ASPE) will replace current Canadian Standards and become Canadian generally accepted accounting principles (GAAP). To effect this change, the AcSB has approved a new structure for the CICA Handbook that will consist of separate sets of accounting standards including IFRS, ASPE and Pension Plans.

Section 4600 Pension Plans will replace existing accounting standards for pension plans for fiscal years beginning on or after January 1, 2011. The Pension Plan will be reviewing these new standards to determine what impact, if any, they have on future reporting periods.

5. Investments

Investments are classified in a hierarchy of three levels depending on the inputs used to determine fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs used in determining the fair value. If different levels of inputs are used to measure the fair value of an investment, the classification is based on the lowest level input used. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 - inputs for the assets or liabilities that are not based on observable market data.

The following fair value hierarchy table presents the Plan's assets, excluding short term investments, measured at fair value on a recurring basis as of December 31, 2010:

($ millions)	Level 1	Level 2	Level 3	Total Fair value
Fixed income	$ 75.2	$ 106.8	$ -	$ 182.0
Canadian equities	120.7	-	-	120.7
Foreign equities	138.8	-	-	138.8
Total	$ 334.7	$ 106.8	$ -	$ 441.5

The following fair value hierarchy table presents the Plan's assets, excluding short term investments, measured at fair value on a recurring basis as of December 31, 2009:

($ millions)	Level 1	Level 2	Level 3	Total Fair value
Fixed income	$ 65.0	$ 109.4	$ -	$ 174.4
Canadian equities	107.9	-	-	107.9
Foreign equities	128.8	-	-	128.8
Total	$ 301.7	$ 109.4	$ -	$ 411.1

6. Funding policy

In October 1999 the payment of $58.5 million was made by the Province of New Brunswick to the Pension Plan for CUPE Employees of New Brunswick Hospitals. $48.5 million of the total was considered a deemed contribution by the Province. The balance will accrue interest at the rate of return of the Fund and be reduced by amounts deemed to have been contributed by the Province as employer contributions. Effective January 1, 2005, the employer contribution rate used in the calculation is 4.79% of the earnings of plan members. This deemed remittance shall continue until the Actuary determines that the current value of the $48.5 million has been exhausted by the deemed contributions from the Province. Until that time, the Province will be considered on a contribution holiday. Note the exception below.

6. Funding policy (continued)

In accordance with the agreement entered into on September 23, 1999, the Board must account separately for all monies deemed to be received by the Fund from the Province for the contribution holiday.

	2010	2009
Balance, beginning of year	**$ 28,766,018**	$ 24,830,532
Allocation of investment income	**2,808,010**	4,006,620
Deemed employer contributions paid	**(83,783)**	(71,134)
Balance, end of year	**$ 31,490,245**	$28,766,018

As a result of the January 1, 2005 actuarial valuation for funding purposes, which disclosed an unfunded liability of $52,988,600, an agreement was reached between the "Parties" i.e. CUPE, represented by the Council of Hospital Unions and CUPE Local 1252 and the Province of New Brunswick represented by Board of Management to amend the funding provision until the signing of the next collective agreement (the collective agreement at the time expired on June 30, 2007). Until that time, the employers' contribution holiday was suspended. However, earnings equivalent to the rate of the investment gain or loss on fund assets continued to accrue on the balance which is $31.5 million at December 31, 2010. In addition, the employer began making cash contributions into the fund on the first full pay period after April 1, 2006 equal to 6.17% of employee earnings. Employee contributions also increased to 6.17% of earnings. A new collective agreement was signed on September 24, 2008, and the parties agreed to continue with the amendments until the signing of the next collective agreement (current collective agreement to expire on June 30, 2011).

The most recent actuarial valuation for funding purposes was prepared by Morneau Shepell as of January 1, 2010. This valuation disclosed an unfunded liability of $199,767,600. See subsequent events note 11.

7. Risk management

In the normal course of business, the Plan is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk and other price risk. The value of investments within the Plan's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Plan. The level of risk depends on the Plan's investment objectives and the type of securities it invests in.

For all of the risks noted below, there has been no change in how the Plan manages those risks from the previous year.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Plan. Where the Plan invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Plan. All transactions executed by a Plan in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

7. Risk management (continued)

As at December 31 the Plan invested in debt instruments with the following credit ratings:

Debt instrument by credit rating	**Percentage of total debt instruments**	
	2010	2009
AAA	**38.94%**	40.09%
AA	**22.02%**	19.97%
A	**28.25%**	29.49%
BBB	**10.51%**	8.91%
Less than BBB and non-rated	**0.28%**	1.54%

Credit ratings are obtained from Standard & Poor's, Moody's, Fitch or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the lowest rating has been used.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Plan invests in interest-bearing financial instruments. The Plan is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, 2010, the Plan's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted in parallel by 25 basis points with all other variables held constant ("sensitivity analysis"), is as follows:

	2010	2009
Debt instruments by maturity date		
Less than 1 year	**$ 31,125,073**	$ 13,745,453
1-5 years	**49,905,279**	37,923,325
Greater than 5 years	**117,082,175**	132,128,462
	$ 198,112,527	$ 183,797,240
Sensitivity	**$ 3,150,104**	$ 2,776,677

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Plan.

7. Risk management (continued)

The Plan is exposed to the following currencies:

	2010		2009	
	Currency Exposure ($)	**Percentage of Net Assets (%)**	**Currency Exposure ($)**	**Percentage of Net Assets (%)**
US Dollar	**94,842,851**	**20.8**	90,658,914	21.6
Euro	**12,859,093**	**2.8**	16,219,333	3.9
Pounds Sterling	**10,508,751**	**2.3**	9,047,086	2.2
Japanese Yen	**8,936,698**	**2.0**	7,147,827	1.7
Swiss Franc	**4,116,102**	**0.9**	7,094,010	1.7
Other	**8,602,695**	**1.9**	10,624,112	2.5

This amount is based on the market value of the Plan's financial instruments. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Plan to significant currency risk.

As at December 31, 2010, if the Canadian dollar strengthened or weakened by 1% in relation to the respective exchange rates, with all other variables held constant, net assets would have an increase or decrease, respectively, of approximately $1,398,662 (2009 - $1,407,913).

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Other price risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The portfolio manager of the portfolio moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Plan's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Plan's overall market positions are monitored on a daily basis by the portfolio manager. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The statement of accrued pension benefits and net asset available for benefits classifies securities by market segment.

The impact on net assets of the Plan due to a 1 percent change in the benchmark, with all other variables held constant as at December 31, 2010 is estimated to be 0.9% or $4.1 million (2009 - 0.9% or $3.8 million). For the purpose of this calculation, historical portfolio returns were compared to the historical index return of an average asset mix commitment.

The historical results may not be representative of the future results, and accordingly the impact on net assets could be materially different.

8. Capital management

The Plan employs a capital management plan, a Statement of Investment Policies and Goals ("SIP&G"), that is reviewed annually by the Board of Trustees. The SIP&G formulates investment principles and guidelines which are appropriate to the needs and objectives of the pension plan.

The overall objectives in investing the assets of the Plan are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk.

The SIP&G's investment guidelines outline that the Plan's assets shall be invested in fixed income and equity securities in such proportions as may be established from time to time by the Trustees. The Plan's investment in equities, bonds and short term securities shall be diversified by industry group and by individual companies. The Plan's investment in income or unit trusts and similar investment instruments is limited to those securities that are listed on a recognizable stock exchange and are resident in jurisdictions that provide limited liability to unit holders. The fund manager shall have complete freedom in determining the asset mix of the fund, subject to 17% - 40% investment in Canadian equities, 11% - 25% in US equities, 6% - 14% in International equities, 32% - 52% in bonds, and 1% - 9% in cash and short term limitation guidelines.

There has been no significant change to the SIP&G during the year ended December 31, 2010.

9. Obligation for Pension Benefit

The present value of accrued pension benefits was determined using the projected unit credit method pro-rated on services and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of January 1, 2010 by Morneau Shepell, a firm of consulting actuaries, and was then extrapolated to December 31, 2010.

Significant long-term assumptions used in the valuation are:

		Long-term Assumptions
Interest		6.60%
Salary increases	Pre 2012	2.50%
	2012-2013	0.00%
	Post 2013	2.50%
Inflation		2.50%
Pensioner cost of living increases		2.00%

9. Obligation for Pension Benefit (continued)

The actuarial present value of benefits and the principal components of changes in actuarial present values during the year are presented below:

	2010	2009
Actuarial present value of accrued pension benefit at beginning of year	**$ 615,509,000**	$ 576,676,000
Experience loss due to change in assumptions and membership demographics	**6,867,000**	10,370,000
Benefits accrued	**24,395,000**	23,779,000
Net interest accrued on benefits	**40,903,000**	38,417,000
Benefits paid	**(29,657,000)**	(33,733,000)
Actuarial present value of accrued pension benefit at end of year	**$ 658,017,000**	$ 615,509,000

10. Investment in Plan Sponsor

As at December 31, 2010, $1,480,387 (2009 - $1,986,739) of the Plan's assets consisted of Province of New Brunswick securities.

11. Subsequent event

The actuary stated, in the January 1, 2010 funding valuation report, that current benefits under the Plan were not sustainable at the current contribution levels. As a result, the Board of Trustees was required to act on Section 24.01 of the Plan document, to officially advise the Parties of the increased funding required or the benefit changes needed to offset funding deficiencies. The notice letter was sent to the parties on January 4, 2011.

As per the provisions of the Plan, if the Parties do not resolve the funding situation within 90 days of receiving the notification letter, the Board of Trustees then has the authority to modify the benefit levels in accordance with the recommendations that were outlined in the letter. The benefit reductions proposed include changes to the rules for commuted value payouts prior to age 55, ceasing automatic indexing of 2% per annum after January 1, 2011, and reducing the current bridge pension of $18 per month per year of service payable from retirement to $14 payable from age 60.

The Parties did not provide an acceptable solution by April 4, 2011, therefore the Board of Trustees now has the authority to implement the benefit reductions listed above.

On March 25, 2011, the Trustees appointed by the New Brunswick Council of Hospital Unions, CUPE Local 1252 ("NBCHU") were relieved of their duties by the NBCHU. The NBCHU has since appointed two new Trustees.

11. Subsequent event (continued)

A Board of Trustees meeting was held on June 10, 2011 where a motion was made to reduce benefits as per the notice letter of January 4, 2011. The vote was deadlocked. In accordance with the Trust agreement, in the event of a deadlock, a subsequent meeting is to be held within ten business days of the vote.

The subsequent meeting was held on June 24, 2011 where the motion to reduce benefits was put forth a second time, as per the notice letter of January 4, 2011. The vote again was deadlocked and therefore the motion was defeated.

The Trust Agreement does not have a deadlock resolution protocol, therefore the Parties will be advised of the situation and the need to find a solution that increases contributions, reduces benefits, or involves some combination of the two. In addition, Plan Members will be notified of the current situation and its implications by means of an upcoming newsletter.