

**Update to members of Western's retirement plans
regarding the Liquidating Trust
January 22, 2010**

Members of Western's retirement plans who are monitoring the value of holdings in their plan will notice that there has been a change in the value of the asset called "Liquidating Trust."

Who is affected by this change in value? Any member or former member who holds units in the UWO Liquidating Trust is affected. The investments held within the Liquidating Trust were formerly 'non-bank asset backed commercial paper' (ABCP).

If you are not sure if you own any Liquidating Trust units, you may check your Pension Plan holdings by logging on at:

<https://www.uwo.ca/humanresources/facultystaff/comp/pension/login.htm>

Liquidating Trust units will be clearly listed separately from any of your other fund investments.

What has changed: There has been a change in how the assets in the Liquidating Trust are valued. This change has resulted in a significant reduction in the value assigned to the units, beginning December 31, 2009. The assigned value of each unit prior to that date was \$95.747. The assigned unit value was adjusted on December 31, 2009, declining to \$65.360.

Why did the value drop? The change in value does not reflect a change in the quality of the assets or the expected return at maturity of the assets held in the Liquidating Trust. Rather, the Joint Pension Board has changed the company used to determine the 'fair market value' of the units. The new company uses a different method of valuation, and that has led to the change in the assigned fair market value.

How did the change in value happen? Normally, the market would determine the value of an investment, but currently there is no active market for the assets in the Liquidating Trust. While there have been a few sales of these investments, there are not enough sales to establish a market price as determined by an active market.

In the absence of such a market price to use to value the assets, accounting standards require a detailed valuation, but the method of determining that value can differ between companies. Northwater Capital Management, the previous manager of these investments, most recently assigned a value of \$95.747 to these units.

The new company appointed by the Joint Pension Board to value these investments, Kilgour Advisory Group, developed an improved valuation model – a

model that reflects the various risks in determining the fair market value. The Kilgour valuation for December 31, 2009 was \$65.360.

Why was there a change in companies? In 2007, Northwater Capital, one of 11 different investment managers used by the Joint Pension Board, informed us that their portfolios invested in non-bank asset backed commercial paper had become illiquid (there was not a market for them) and that redemption restrictions were in place. Following a North America-wide restructuring plan for these assets was put in place by banks and approved by the courts, the non-bank asset backed commercial paper were replaced with restructured notes, most of which will mature in 2017.

Last September, the Joint Pension Board moved to separate these restructured notes, from the funds that originally held the assets (e.g. Balanced Funds, Diversified Equity, US Equity funds). The restructured notes were moved to the Liquidating Trust, allowing plan members to easily see the proportion of their account exposed to these assets and to allow them to make unencumbered changes to their other investments.

The transfer of the restructured notes to the Liquidating Trust also offered the opportunity for the Joint Pension Board to seek a new investment manager for these assets, and Kilgour Advisory Group was appointed in collaboration with Greystone Managed Investments, one of the pension plans' existing managers.

What is the actual value of the units in the Liquidating Trust?

It is anticipated that Western will continue to value the assets in the Liquidating Trust using the new method until there is an active market for the restructured notes. When this occurs, it is anticipated the market price of the notes will be very close to the price determined by the new valuation model, however it is not a value that could be achieved in the market at this time. As mentioned above, this change in the value method does not reflect a change in the quality of the underlying assets.

You may also be interested to know that although trading is still very limited, the market for the restructured notes is currently trending up as there are more and more buyers entering the market and willing to pay more for the notes. At the beginning of 2009 buyers were offering prices that would have valued the Liquidating Trust unit values at less than \$30. The prices that have been observed recently place the value of the Liquidating Trust Units in the mid \$50 range, which is still below what we consider to be the intrinsic value of the notes, but it is a significant improvement nevertheless.

Further information will be available in the next few months including presentations that will provide further information about the market for these investments and about options for members.

If you require more immediate assistance, please contact Martin Bélanger, Director of Investments at 519-661-2111 extension 80314.