

Issue: Fund Manager Search - Liquidating Trust

Background

Northwater Capital Management (“Northwater”) is currently managing the Liquidating Trust (“LT”). Assets in the LT are: restructured notes and cash from interest payments. Until September 2009, the LT was only holding the proportion of restructured notes and cash that belonged to terminated plan members and RIF members who had redeemed their pension funds. In September all liquid assets for the US Equity mandate will have been moved to State Street Global Advisors (“SSGA”). Consequently, all US Equity assets have been removed from Northwater (“B” Fund US Equity assets were moved from Northwater in April 2009).

In light of this, we will be doing a fund manager search to consider is who should manage the LT going forward.

Management of the LT

The language of the LT trust provides for latitude for the Manager, the Joint Pension Board, to delegate the management of the LT to a “Portfolio Manager”.

Portfolio Manager means the Manager(s) or Person(s) employed or retained by the Manager with respect to the investment of the Trust Property.¹

Section 10.4 of the trust provides the Joint Pension Board with the power to delegate including to a Portfolio Manager.

Delegation by the Manager

- (a) The Manager may retain such advisors or agents to perform its functions hereunder including without restricting the generality of the foregoing, the Portfolio Manager and if required the Custodian.*
- (b) The Manager shall have the power to appoint, employ, or contract with any person, including sales agents or distributors of the Units, for the transaction of any business of the Trust, without liability to the Trustee except as provided in this Agreement. The Manager shall have the power to determine the term of the appointment and compensation of any person whom it may employ or whom it may contract.*

Considerations

Criteria for the LT fund manager search will include expertise with these types of securities in particular for the purposes of valuation, record keeping and liquidation. The cost of the fund manager’s services is a consideration but not at the expense of the requisite expertise (to date Northwater has been managing the LT for \$1.00).

¹ Trust Agreement – Sept 28th, 2007 – Liquidating Trust

A search is required from a due diligence perspective to ensure that the Joint Pension Board has delegated the management of the LT prudently and consistently with its fiduciary obligations.

Risk Assessment

The investment management risk (Investment risk) – the mandate for the LT has been determined and requires relatively little active management. Other than the re-investment of cash from interest payments the balance of the LT will be holding restructured notes until 2017 less any securities sold.

Credible FMV valuation risk (operational risk) – a critical issue is that the method of valuation for the restructured notes be credible, prudent, documented and reasonable by industry standards.

Due Diligence (legal risk)

The appointment of this fund manager should be treated consistently with our process of appointing other managers but there may be an opportunity to consider the search within the current managers who have the relevant expertise.

Conclusion

We will be conducting a search for a manager for the Liquidating Trust and providing our recommendation to the Joint Pension Board at a later meeting. In the interim, Northwater Capital Management will continue to act as the investment manager for the Liquidating Trust.