For the
members of
The Edmonton
Pipe Industry

Pension Trust Fund
and
Health and Welfare Fund

2010
ANNUAL REPORT

DIRECTORY

The Edmonton Pipe Industry Pension Trust Fund

and

The Edmonton Pipe Industry Health and Welfare Fund

16214 – 118 Avenue, Edmonton, Alberta T5V 1M6

Phone (780) 452-1331 Fax (780) 487-4063

Website: www.epibenefitplans.com

Board of Trustees

Administration Services Provider

McAteer – Employee Benefit Plan Services Limited

Executive Administrator – Rick McAteer

Auditor

KPMG LLP, Chartered Accountants, Edmonton, Alberta

Pension Trust Fund Investment Managers

CIBC Global Asset Management Inc., Toronto, Ontario

Brookfield Asset Management Inc., Toronto, Ontario

Marathon Asset Management, LP, New York, New York, USA

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia

Letko Brosseau & Associates Inc., Montreal, Quebec

Gryphon International Investment Corporation, Toronto, Ontario

Standard Life Investments (Private Equity) Limited, Edinburgh, Scotland

Northleaf Capital Partners, Toronto, Ontario

JP Morgan Investment Management Inc., New York, New York, USA

Clairvest Group Inc., Toronto, Ontario

Standard Life Assurance Company of Canada, Toronto, Ontario

Connor, Clark & Lunn Investment Management Ltd., Vancouver, British Columbia

QV Investors Inc., Calgary, Alberta

Pension Trust Fund Custodian

CIBC Mellon Trust Company, Calgary, Alberta

Pension Plan Actuary

Mercer (Canada) Limited, Calgary, Alberta

Pension Trust Fund Investment Counsel

Asset Performance Inc., Vancouver, British Columbia

Health and Welfare Plan Insurer

Manulife Financial, Waterloo, Ontario

Health and Welfare Fund Investment Managers

Letko Brosseau & Associates, Montreal, Quebec

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia

Health and Welfare Plan Employee Assistance Program Provider

Construction Employees Family Assistance Plan (CEFAP), Calgary, Alberta

TABLE OF CONTENTS

Report of the Board of Trustees

We are pleased to present the Annual Report of the Pension Trust Fund and the Health and Welfare Fund for the fiscal year ended September 30, 2010. The Annual Report provides an accounting to the Members of the highlights of the Funds' activities for the past year.

Board of Trustees

Our trust agreements are key governance documents for the Funds. They set out the roles and responsibilities of the Trustees. Our trust agreements establish that the Board of Trustees will be made up of four elected Union Trustees and three Independent Trustees including an Independent Chairman. All decisions by the Board require the approval of two-thirds of the Trustees.

Pension Trust Fund

The Pension Trust Fund had assets of $813.5 million as at September 30, 2010 ($693.4 million as at September 30, 2009). The Pension Plan's funding surplus was $16.0 million and the funded ratio was 102% as at both September 30, 2010 and 2009.

For the year ended September 30, 2010 the Fund earned a rate of return of 9.7% (9.2% for Fiscal 2009) before fees. World markets continued to recover from the recession during the year. Careful management of the Fund and Plan has resulted in stable funding.

The improvements to benefits last year were made after careful deliberation, and consultation about future investment returns and income from contributions made to the Pension Fund. The Funding and Benefits Policy section of this Report will show Members the guidance the Trustees use when making decisions about the benefits which can be provided by the Plan.

For more information about the Pension Plan's funding surplus status at the end of Fiscal 2010, reference should be made to the Actuarial Valuation section of this Report. It is important to note that the investment earnings assumption in our actuarial valuation at September 30, 2010 was reduced from 6.25% to 5.90%. We used an assumption of 6.25% for the years 2006 to 2009 inclusive. We have reported previously that the Trustees continuously examine whether the assumptions used to value the liabilities of the Plan remain appropriate. Part of this ongoing review includes a discussion, together with the Plan's professional advisors, about likely long term investment returns given the appropriate asset mix for the Fund. As we have reported in other Annual Reports, the Trustees have received guidance that we should always consider our expectations for future returns in the investment markets. The Trustees decided that it was time to reduce the assumed investment return for the future. For the Plan year beginning October 1, 2010 the Pension Plan will continue to be funded on the assumption of a long term investment rate of return of 5.90%.

Our commitment to the Members is to protect the benefits provided to you by the Pension Plan. We strive to accomplish this protection by continuing to manage the Pension Plan under a prudent investment strategy and to bring into play all of the resources we believe are appropriate. We believe that we are one of the most financially secure pension plans in the province of Alberta.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

The Plan's Members had contributions remitted on 12.9 million hours in the year ended September 30, 2010. Our budget for hours worked was 10 million hours. The excess hours worked contributed to the Plan's funded status. The Pension Plan's target expectation for hours worked in the 2011 fiscal year is 10 million hours. Our ongoing monitoring of the economic environment, particularly the demand for energy, is critical to the funding formula for the Pension Plan. It is a constant reminder that the Pension Plan, and all its Members, are fully linked to Alberta and the global economy.

Our funding policies require that the Plan be conservative in its estimates about the future. Therefore the Trustees always use caution when examining the Plan's economic assumptions. We believe that taking this approach helps to reduce the risk Plan Members bear. Pension benefits are always target benefits – they can change if funding cannot meet legislated standards. Conservatism in our economic assumptions should provide some margin to protect the Plan in times of economic uncertainty. We have to balance conservatism in funding against the benefits the Plan can provide. The Trustees believe that their processes have helped Members to be confident in the benefits provided by the Plan.

Diversification of the Fund's assets is critical to the success of the Plan and Fund. The Trustees always review the Pension Fund's investment manager structure and asset mix. Our review is always conducted using the due diligence information available and

the due diligence information available and the guidance of the Plan's professional advisors. The Plan's asset mix is set with an understanding of the Plan's liabilities. Our asset mix also takes into consideration the risk and return profiles of major asset classes. We know from history that equities (stocks) earn higher returns than bonds when measured over the long term. We also know, because we have seen it happen, that there will be years when the stock market has negative returns and bond markets will have positive returns. We always have to balance these return probabilities. The Trustees also understand that non-traditional investments will provide a steady stream of income to the Fund and that their returns will be less volatile. The Trustees made a decision to allocate assets of the Fund to private equity, infrastructure and real estate investments in order to protect the Plan and Fund from the more volatile equity markets while still accomplishing the investment return needed. The Statement of Investment Policies and Procedures provides that, over the long term, up to 30% of the total Fund will be invested in a combination of real estate, infrastructure and private equity investments. These have rates of return and risk metrics which the Trustees believe are important to the Plan's overall investment mix. All of the Fund's investments are managed by professional investment managers. The investment managers are measured on an ongoing basis and compared to their peers by an independent party. The Trustees regularly meet with the investment managers.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

In October 2009 the Trustees announced that pensions would be increased by 5% for all active and retired Members and widows. The improvement was effective October 1, 2009.

The Plan's Funding and Benefits Policy will continue to guide the actions of the Trustees as we evaluate the benefits provided by the Pension Plan.

During 2010 the Pension Fund participated in a national survey on pension plan expenses. 76 Canadian pension funds contributed information to the survey. The survey, which measured the expenses of large pension funds like ours, showed that the Fund's expenses are approximately 15% lower than our peers. The Trustees plan on participating in the survey again in the future.

Health and Welfare Fund

The Health and Welfare Fund continues to be in very good financial condition. As of September 30, 2010, the reserve for future plan benefits was $31.9 million and the Health and Welfare Fund equity was $58 million which is an increase of almost 13%, or $6.6 million. During the year ended September 30, 2010, the

Plan paid $19.9 million to Members in benefits. This is $1.2 million, or 6.4%, more than was paid in Fiscal 2009.

Effective July 1, 2010 the Plan was improved to update the basis of reimbursement of dental expenses to the 2009 fee guide proxy in use by group benefit plans in Alberta. Also, effective with dental expenses incurred on/after January 1, 2011 the calendar year maximum benefit was increased from $2,250 to $2,500 per covered person.

The Plan's vision care benefit was also improved, effective January 1, 2011 so that the 5 year maximum benefit for contact lenses was increased to $500, from $250, per covered person.

During 2010 the government of Alberta announced proposed changes to its drug plan for seniors. The proposal was that private health plans become the first payor of prescription drug expenses for persons over the age of 65. Many in the industry opposed those changes and they have been deferred. It is the Trustees' view that, had the changes proposed come into force, the Plan's coverage for retired Members could have been dramatically reduced.

Report of the Board of Trustees (Cont'd)

The Trustees continually monitor the Plan's benefits to ensure that the benefits delivered keep pace with changes in the health care industry. Of course, we must also ensure that the benefits provided are appropriate for the contributions paid to the Fund – the Members must be given the very best value for contributions that the Plan can prudently afford.

A governance standard of the Trustees is high quality service to Plan Members. During the year ended September 30, 2010 over 60,000 claims were processed by the Benefit Office. This was an increase of over 7% from the prior year. Members are always welcome at the Benefit Office where they may receive assistance with filing claims. Some Members prefer to wait at the Benefit Office for their claim cheque. For those Members submitting their claims by mail, they can expect their claim to be processed in 3 days. All of the services delivered by the Benefit Office, including preparation of retirement documents, are managed by the knowledgeable staff who are trained and skilled in the delivery of your benefits. The Benefit Office staff demonstrate commitment to the high standard of care expected by the Trustees.

General Comments

Fiscal 2010 was a welcome respite from the volatility in investment markets the Pension Plan endured in Fiscal 2008 - 2009. We can now proudly say that the Pension Plan did survive the worst economic recession since the 1930's.

The Trustees believe that the Pension Plan is positioned to protect benefits and to withstand years when markets are again volatile. This involves many hours of review of materials provided by the actuary, auditor, investment managers, investment consultant and the administration services provider. In the end, we believe that The Edmonton Pipe Industry Plans demonstrate good governance in all aspects of the Plans and Funds.

Submitted on behalf of the Trustees,

W. D. Grace, FCA
Chairman, Board of Trustees
February 2, 2011

PENSION FUND HIGHLIGHTS AND COMMENTARY

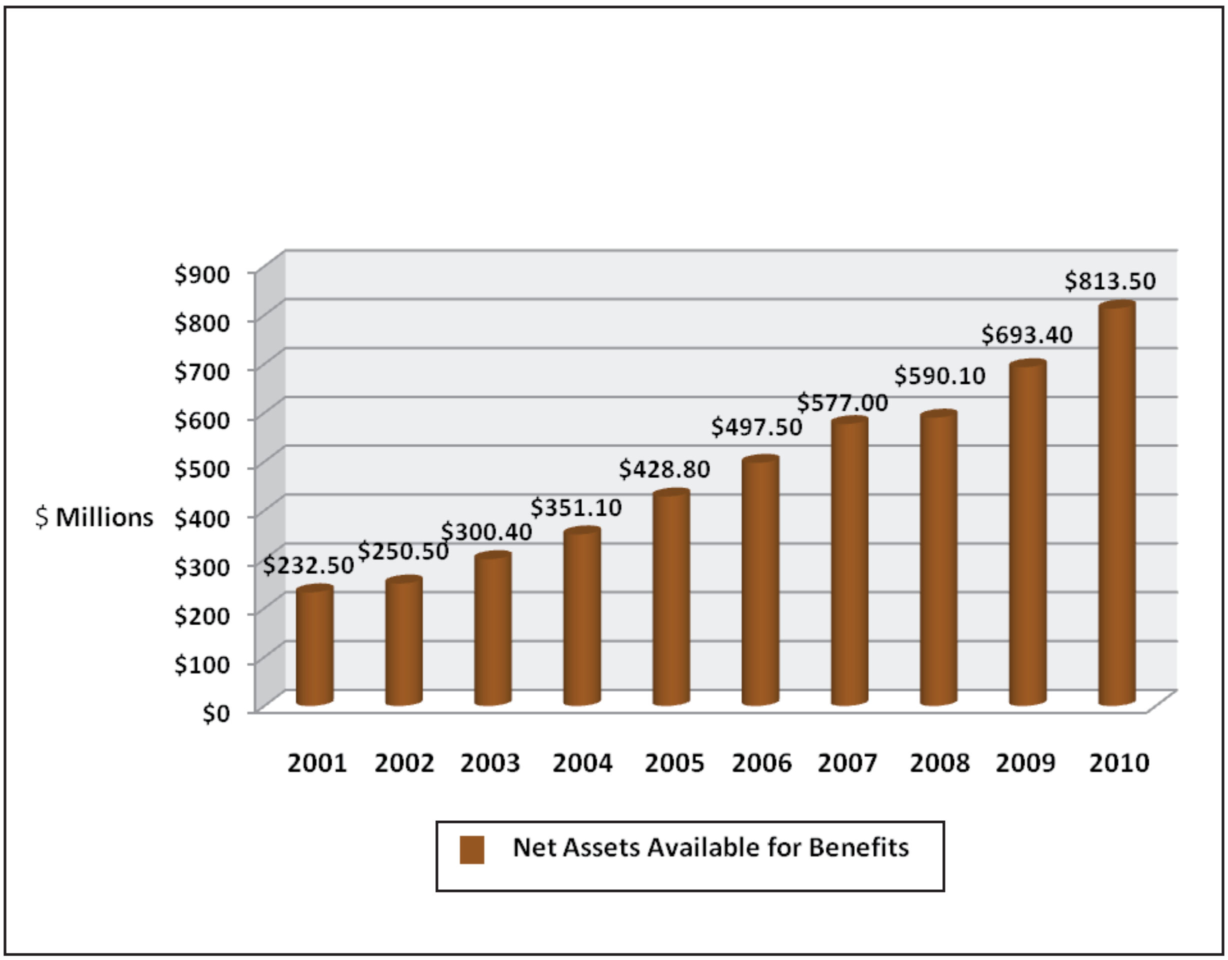
Pension Fund Assets

At September 30, 2010, the Pension Fund had $813.5 million in net assets available for benefits. This is an increase of $120 million compared to the net assets available for benefits at September 30, 2009. Net employer contributions in Fiscal 2010 were $89.2 million, an increase of $13.3 million compared to Fiscal 2009.

The Pension Fund received net contributions in respect of 12.9 million hours worked during Fiscal 2010. During Fiscal 2009 the Fund received contributions in respect of 11.4 million hours.

The chart below illustrates the growth in the Pension Fund's assets.

GROWTH IN PENSION FUND ASSETS 2001 - 2010

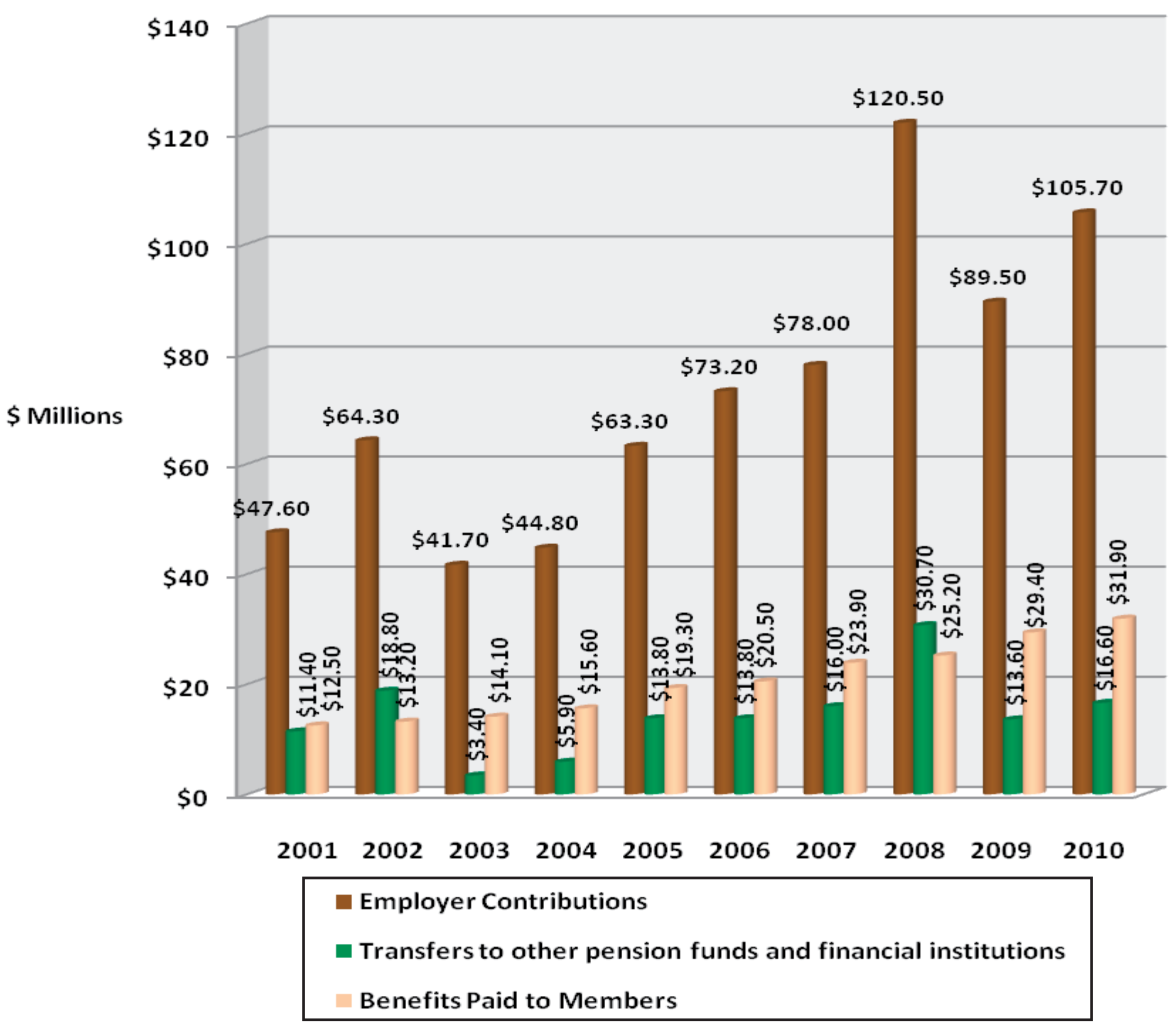


Pension Fund Contributions

During Fiscal 2010, contributing employers paid $105.7 million into the Pension Fund on behalf of Members, compared to $89.5 million in Fiscal 2009. This is an increase of $16.3 million, or 19% more than Fiscal 2009's employer contributions. Fiscal 2009's contributions were $13.8 million less than what was received in Fiscal 2008. Here it is clear that the recession which impacted the Plan so dramatically in Fiscal 2008-2009, came to a stop. Contributions paid to the Fund are directly related to the number of hours worked.

From the $105.7 million received, the Pension Fund transferred $16.6 million to other pension funds and financial institutions on behalf of individuals who were subject to reciprocal agreements or who terminated membership in the Pension Plan.

During Fiscal 2010, the Pension Fund paid $31.9 million ($29.4 million in Fiscal 2009) in pension and disability benefits, an increase of more than 8% when compared to Fiscal 2009 benefit payments.

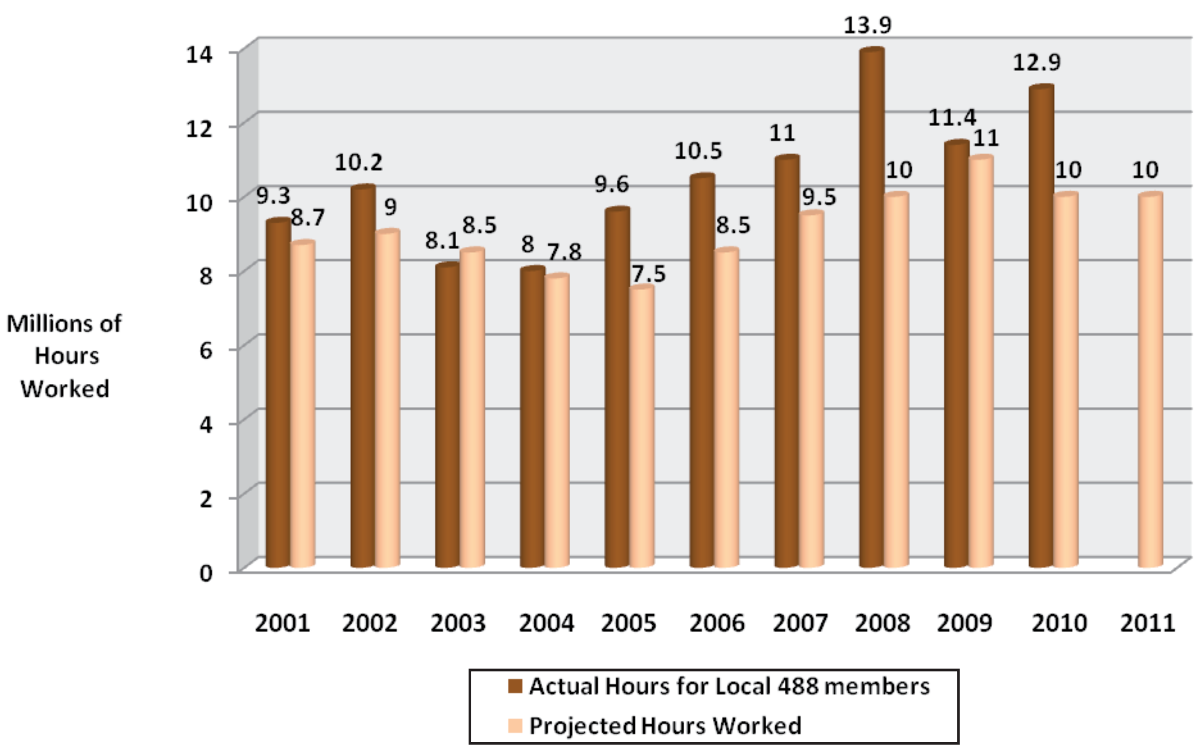


Employer Contributions and Hours Reported to the Pension Fund

During the fiscal year ended September 30, 2010, the Pension Fund received employer contributions based on 16.0 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 2.5 million hours to other pension funds on behalf of union members who were not members of Local 488. Retired Members earned 664,000 hours. Therefore the net contributions to the Pension Fund were based on 12.9 million hours worked by Local 488 members.

For Fiscal 2011, the Pension Plan will use an assumption that 10 million hours will be worked by Local 488 members. The Trustees gather information about the work outlook for Local 488 members from many sources including Local 488 and other industry watchers. The Trustees' assumption for hours worked, used for actuarial valuation purposes, is also discussed with the Pension Plan's actuary. The Trustees have set the hours worked assumption using their very best estimates and with some margin in case the work picture is not as robust as we expect.

PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2001 – 2011



Pension Fund Investment Rate of Return

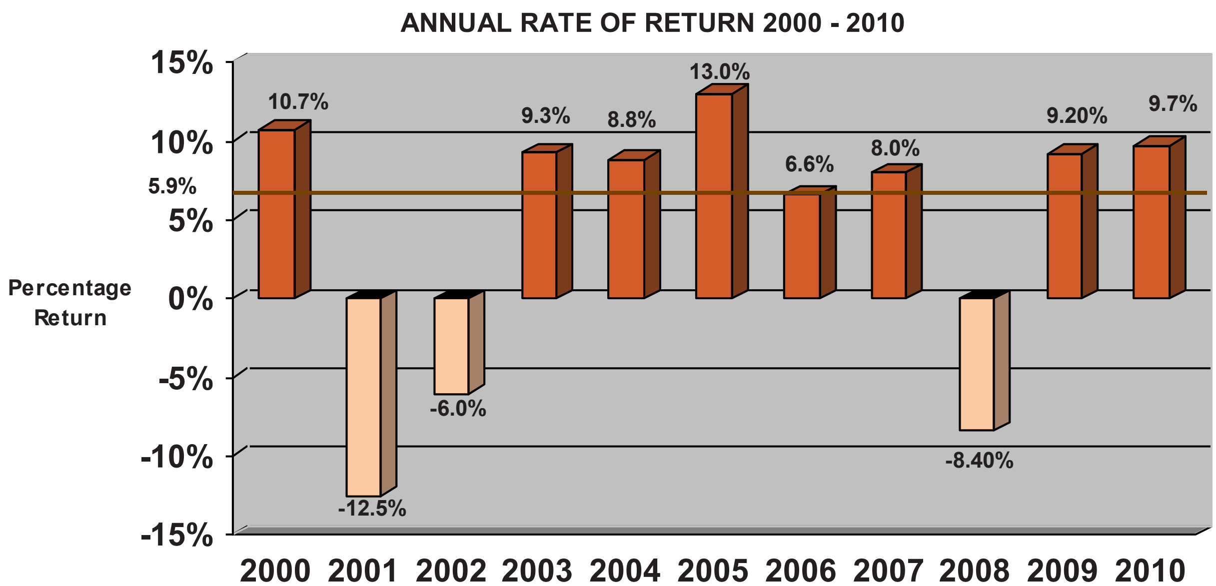
The major market returns for the year ended September 30, 2010 (and compared to 2009 returns) were;

Market	Return for the Year Ended September 30, 2010	Return for the Year Ended September 30, 2009
Canadian Equity	11.6%	0.5%
Canadian Bonds	7.3%	10.3%
Non Canadian Equity	3.1%	6.1%
Treasury Bills	0.4%	1.3%

For the 2010 Fiscal year, the Pension Fund earned a positive rate of return of 9.7%. In Fiscal 2009, the Fund had a rate of return of 9.19%. Fiscal 2008's return was negative 8.41%. The Pension Plan's actuarial target investment return is now 5.90%, for the Fiscal 2010 actuarial valuation as compared to 6.25% used in prior years. The chart below shows Members the annual rates of return of the Pension Fund from 2000 to 2010 inclusive. It is a mirror on the global economy. The Pension Fund participates in World markets. The Trustees use methods to protect the Fund from some of the volatility in investment markets but all volatility cannot be diversified away. The Pension Plan's benefits have benefitted from the participation of the Fund in the global economy. The Fund's asset diversification has helped to guide the Pension Fund through troubled times. There is an upside and a downside to almost any investment, including cash. The upside is a high and positive return on the investment or that the investment helps to stabilize returns; the downside is that the investment produces a negative return or introduces risk to the Pension Fund.

The Fund's target investment return assumption of 5.90% was set after the Trustees took into consideration that the global investment markets seem to have recovered from the 2008-2009 recession. We think that future years may not produce such high total returns. So, after consideration of the consensus for future market returns, the investment return assumption was reduced from 6.25% to 5.90%. This assumption will be reviewed again when the Fiscal 2011 valuation is prepared.

Pension Fund Investment Rate of Return (Cont'd)



Pension Fund Investments

For the year ended September 30, 2010 the Fund's investments returned 9.7% before fees. The median pension fund measured by our independent performance measurement service returned 7.3% for the year ended September 30, 2010.

Every investment decision made by the Trustees is carried out after careful consideration of the purpose of the Fund. This is set out in the Mission Statement:

"To contribute to the well being of the Plan Members and Beneficiaries by providing reasonable retirement pensions and related benefits based on the financial resources available from The Edmonton Pipe Industry Pension Trust Fund."

The Trustees' principal objective is to protect the pension promises which have been made. This governance standard reduces the benefit and contribution risk the Plan's Members may otherwise face.

Pension Fund Investments (Cont'd)

In making their investment decisions, the Trustees employ an important analytical tool called "Value at Risk". Value at Risk (VAR) is used to determine how the Fund's current investment managers and asset classes are expected to perform in the future and how each will offset the risk of the other and add to the value of the Fund. The same VAR tool is used to evaluate prospective investment managers. The tools the Trustees use to measure and manage the Fund help the Trustees anticipate how the Fund's investments will grow in the future and how the Fund's investments can be shaped to protect the target benefits of the Plan.

As part of their ongoing management of the Fund, during Fiscal 2010 the Trustees completed another review of the asset mix of the Fund. The table below outlines how the Pension Fund's assets will be allocated among different classes of investments.

Asset Class	Guidelines set by Statement of Investment Policies and Procedures			Actual Allocation as of September 30, 2010 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	0%	4%	1.7%
Private Equities	0%	10%	20%	1.3%
Publicly Traded Equities (Canadian)	10%	20%	30%	25.1%
Publicly Traded Equities (Foreign)	10%	20%	30%	27.6%
Fixed Income (Bonds)	20%	30%	40%	38.2%
Real Estate	3%	10%	20%	3.6%
Infrastructure	3%	10%	20%	2.5%

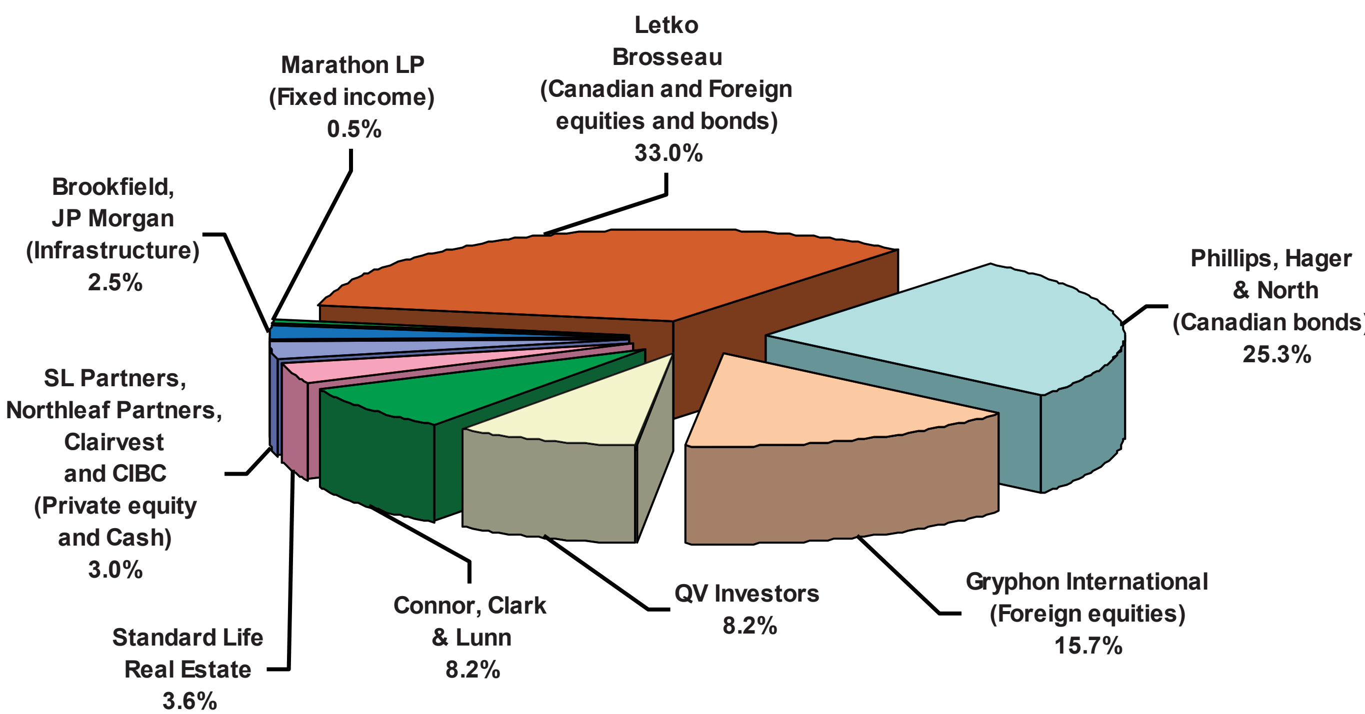
Starting in Fiscal 2007 the Trustees set targets for investments in private equity, real estate and infrastructure. These are named "non-traditional" investments. In order to balance the asset allocation and to ensure that the Plan's benefits are adequately funded, the target allocation to fixed income (bonds) was decreased. During Fiscal 2009 the Trustees further diversified our equity investments by adding a small capitalization (small cap) equities to the asset mix. During Fiscal 2010 the Fund's commitments to private equity and infrastructure increased. Investments in all assets and all asset classes are made following a program of due diligence which the Trustees carry out with the guidance of the investment consultant.

Pension Fund Investments (Cont'd)

The Trustees have policies in place to monitor the overall asset mix of the Fund and to guide the investment of contributions from employers and investment income.

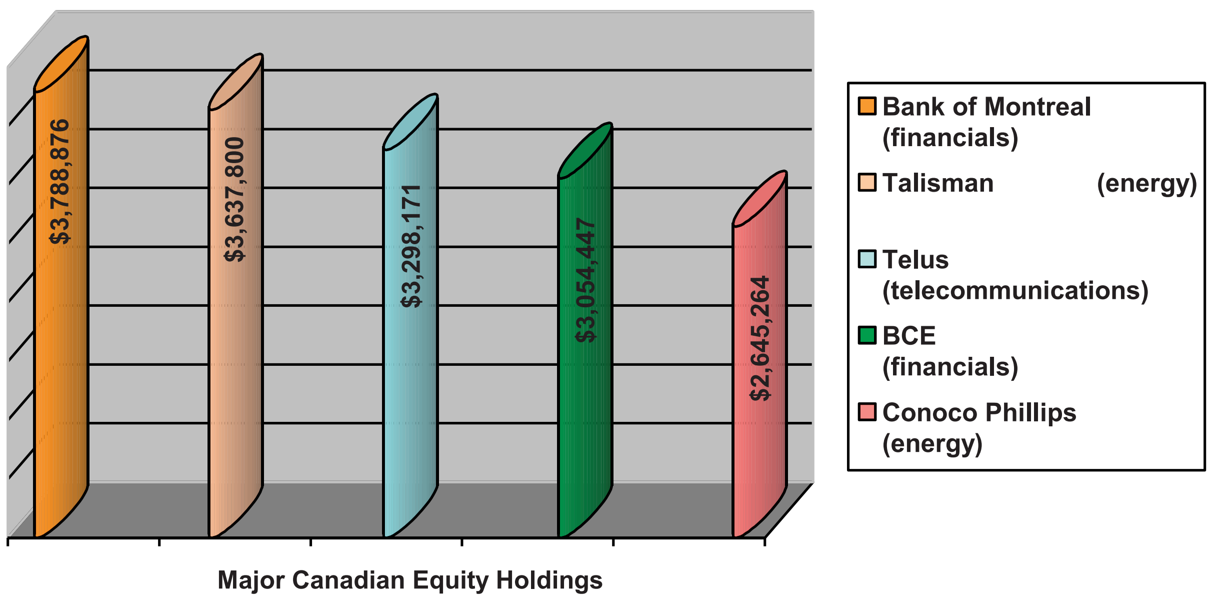
An important element of Fund governance is that the Trustees set standards for the performance of the investment managers and measure the actual performance against the standards. The Trustees retain an independent investment consultant to assist them in this monitoring responsibility. On a quarterly basis, the Trustees receive reports which give very detailed information about the investment activities of each investment manager along with the return they achieved in the quarter. The Trustees compare this information to their standards and review whether the standards have been achieved, or not achieved. If standards are not achieved, the Trustees consider whether the performance deficiency is temporary. The Trustees are prepared to take action in the event they believe an investment manager's performance will not meet the standard.

The Pension Funds assets are divided amongst 12 independent investment managers. In addition, the Fund's Custodian, CIBC Global Asset Management, manages the Fund's short term cash assets. The Trustees have a policy for the allocation of employer contributions which gives guidance about where new monies received by the Fund will be invested. These guidelines also protect the Fund from too much market risk. For example the asset allocation guideline would reallocate monies after a period of high returns in one market – following the adage "what goes up must come down" – assets would be taken out of a market which has just performed very well, before the investment loses value ("comes down") in a market correction. The allocation of Fund assets to the independent investment managers, as at September 30, 2010, is illustrated as follows:



Equities

At the end Fiscal 2010, the Pension Fund had $202.7 million, or 25.1% of its assets, invested in Canadian equities. The Fund's largest Canadian equity holdings at September 30, 2010 were:



The one year return of the Canadian equity market was 11.6%. This was a significant increase from a return of 0.5% for Fiscal 2009 and a dramatic improvement over the Canadian equity market return in Fiscal 2008 of negative 14.4%. The return for Fiscal 2007 was 22.8% and so we continue to see evidence of a market which, over time, is very profitable for the Fund but does introduce substantial downside at certain times. With the knowledge that small cap stocks usually lead an economic recovery, in Fiscal 2009 the Fund retained a specialty small capitalization equity manager. This decision was rewarded in Fiscal 2010 because the manager's return was 17.2%.

The Pension Fund had $222.5 million, or 27.6% of its assets, invested in non-Canadian publicly traded equities. The United States equity market had a currency adjusted return of 5.9% in Fiscal 2010. Non-North American markets, not including Canada, had a Canadian dollar return of 2.2% in Fiscal 2010.

Equities (Cont'd)

Currency was a factor again in Fiscal 2010. At September 30, 2010 the Canadian dollar appreciated by 4.1% compared to the United States dollar. Most of the added value came in the final quarter of Fiscal 2010. In fact, the Canadian dollar appreciated against most major currencies in Fiscal 2010, notably by 12% compared to the Euro. Currency fluctuation is important because the Plan's returns from non-Canadian markets will be diminished when the Canadian dollar is increasing in value. When the Canadian dollar is depreciating against foreign currencies, there is a positive impact on the Plan's returns. During Fiscal 2010 the Trustees decided to participate in a currency hedging program in order to protect the Fund's returns from some currency fluctuation. The Trustees believe the implementation of the currency hedging program further aligns the assets available to the Pension Plan with its liabilities which are all measured in Canadian dollars.

In Fiscal 2010 the European, Australian and Far East (EAFE) equity market returned 2.2% in Canadian dollars. In Fiscal 2009 this market produced a loss of 1.0% and, the year before, a loss of 20.2%. The Fund's investments in this market are important to the diversification of the Fund and the protection of the Plan's benefits.

The Pension Fund has a Statement of Investment Policies and Procedures which sets out guidelines for the prudent asset mix strategy of the Fund. The Trustees have engaged 12 professional, active investment managers to implement the asset mix strategy. Investment managers are retained under specific mandates which set out permissible investments and return expectations. The Fund's investment managers are given discretion over the target asset mix, within their mandate, and are expected to use this discretion to benefit the Fund. The Fund's investment managers are always subject to monitoring which includes compliance with the Fund's investment policies and the given mandate.

The Trustees also measure the investment manager's results against appropriate performance targets established by the Trustees. The Trustees retain independent investment counsel to measure the result of the Fund's investments. The Fund's independent investment consultant also assists the Trustees as they conduct their due diligence on prospective investment managers and mandates. The investment consultant also educates the Trustees about emerging investment issues.

Fixed Income

At the end of Fiscal 2010, the Pension Fund's fixed income investments totaled $307.5 million which is approximately 38.2% of total assets. At the end of Fiscal 2009 38.6% of the Fund was invested in fixed income. The Fund's fixed income investments include corporate bonds as well as bonds issued by Canadian federal and provincial governments.

Fixed Income (Cont'd)

In Fiscal 2010 the Fund also made an investment of $5.0 million in United States fixed income, in order to take advantage of the fiscal stimulus extended by the United States government. For the year ended September 30, 2010 the broad based Canadian bond market return, measured by the DEX Universe, was 7.3%.

In Fiscal 2009 a good fixed income return required a substantial allocation to corporate bonds. In Fiscal 2010 corporate bonds had good returns again, 8.0% for the year, but government bonds also had decent returns of 6.7%. The Fund has set the DEX Long Bond return as the benchmark return for our fixed income investments. This benchmark is more closely aligned with the duration of the Plan's liabilities. In Fiscal 2010 the DEX Long Bond index return was 12.3%.

Over the long term, the fixed income asset class is expected to return about 4%. The fixed income market could become quite volatile when interest rates start to rise. So far this rise has been delayed while consumers recover from the recession and governments continue some stimulus. Given the low long term return expectation from fixed income, the Trustees looked to other asset classes such as equities, real estate and infrastructure to diversify the Fund and to earn enough return to protect the Plan's benefits.

During the year the Fund was further diversified; money was taken out of fixed income and invested in infrastructure and private equity – both asset classes are expected to generate long term, risk adjusted returns superior to what is estimated from fixed income markets.

Investment Policy

The Fund's Statement of Investment Policies and Procedures sets out the Trustees' long term objectives for asset allocation. It also sets out the Trustees' beliefs about the returns from public and private markets. The Trustees believe that it is fundamental to the ongoing success of the Plan that they retain the most appropriate mix of investment managers to carry out the asset allocation strategy. The Trustees employ investment professionals who specialize in the evaluation of investment managers when examining existing and prospective investment managers to the Fund. Changes to the team of investment managers retained by the Fund are made when necessary.

The Trustees have resolved to have 30% of the Fund's assets invested in non-traditional investments such as real estate, infrastructure and private equity. The Trustees employ an investment model called Value at Risk (VAR) to guide their investment decisions.

The Value at Risk (VAR) research conducted by the Trustees has been very important as the Trustees consider new Fund investments and evaluate new investment managers.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

The Plan has a Funding and Benefit Policy. This Policy sets guidelines for the Trustees about what considerations to take when thinking about the Plan's benefits and how to react if the Plan becomes under financial stress or when it has surplus. The Funding and Benefits Policy also helps Members to understand what to expect from the Plan.

The Trustees must always act in the best interest of Plan Members, by ensuring that the benefits provided by the Plan are sustainable. One of the products of an actuarial valuation is the demonstration of benefit security.

When the Trustees conduct their review about whether the Plan's benefits can be improved, the Trustees are guided by the following criteria:

a) the proposed benefit improvements cannot cause the funded ratio of the Plan, on a solvency basis, to fall below 85%; and

b) the total hourly actuarial cost of benefits will not be more than 90% of the contribution rate.

If benefit improvements are to be considered, the Trustees have agreed upon the following additional parameters:

a) the pension accrual rate will be adjusted to reflect the contribution rate paid to the Pension Fund. The increased contributions received by the Fund have been used to pay down the Plan's unfunded liabilities. The current contribution rate is $6.61. The current cost of benefits is $3.15 per hour. The difference goes to pay off the Plan's solvency liability of $19.2 million.

b) benefits to active and retired members will be improved if it is determined that the funding is available due to better than anticipated returns on investments. If this is found to be the case, the funding excess will be used for benefit improvements on a prorata basis. This basis will reflect the assets attributed to retired members and those attributed to active members.

The Trustees believe that priority should be given to improving the pension accrual rate. Up to September 30, 2009, more than 18 years passed by without an increase in the benefits earned by active Members even though the contribution rates paid under the collective agreement increased over that time.

In October 2009 the Trustees announced an increase of 5% in pensions accrued from October 1, 1999 to September 30, 2009 for active and disabled Members who had not yet retired. In addition, the accrual rate for pensions earned in the Plan was increased by 5% effective with hours worked after September 30, 2009. The accrual rate for monthly pensions was increased from $4.83 per 100 hours to $5.07 per 100 hours.

The Trustees balance the objective of benefit increases for active Members with the knowledge that, before October 2009, pensioners had not received an increase in their fixed monthly income from the Plan since 1998. Even though the Pension Plan does not provide automatic increases on account of inflation (the Plan's pensions are not indexed to inflation) the Trustees know that an increase in the cost of living reduces the purchasing power of pensions.

In October 2009 the Trustees announced that the pensions in payment of pensioners, including disabled pensioners, who were in good standing with Local 488, would be increased by 5%. The increase was extended to the beneficiaries, usually the widows, of deceased retired Members.

In the Fiscal 2009 Annual Report we informed Members about an emerging trend which, if continued, would increase the cost of providing benefits. An increasing number of hours are being worked by older Members. In Fiscal 2009 this produced a loss of about $4 million.

In Fiscal 2010 the loss was $1.4 million. The Plan's actuary informed the Trustees that it would be wise to amend the Plan's assumption about the distribution of hours worked by Members, taking into consideration that older Members were working more hours. In many respects this is to be expected because the average age of the active Members increased, in one year, to 39.6 years from 39.2 years.

The average age of the Plan's active Members was 38.92 years when measured at the end of Fiscal 2008. During Fiscal 2010, 1,149 new Members started to participate in the Plan. Overall the Plan had an increase in active Members of 2.4% in Fiscal 2010.

The Plan's solvency funding ratio improved to 98% from 96% at the end of 2009. The Plan had a solvency deficiency of $30.2 million at the end of Fiscal 2009. At the end of Fiscal 2010, the solvency deficiency had decreased to $19.2 million.

Differences between the Plan's funding position of 102% when measured on the going concern basis and a funded ratio of 98% when measured using solvency rules arise only because of the change in the assumptions prescribed for the calculation of solvency funding. Solvency funding assumptions are prescribed by the Alberta *Employment Pension Plans Act*. In particular, for the purpose of a solvency valuation, the actuary must assume that benefits will be purchased at interest rates much lower than the Plan's assumed investment return. For example, one assumption requires that pensioner benefits will be purchased in the annuity market at 4.37% per annum, not 5.90% as assumed by the Plan. The actuary must include prescribed life expectancy tables when calculating the solvency position of the Plan. Assumptions about improvements in life expectancy will make the Plan's benefits more expensive.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY (Cont'd)

The Plan is receiving sufficient excess contributions to amortize the solvency deficiency over the time permitted in the pension legislation governing the Plan. Based on expectations for hours worked in the future and other assumptions, the actuary has calculated that the solvency deficiency will be zero by 2014.

Effective January 1, 2007 the Plan was amended to allow a defined contribution benefit accrual for retired Members who return to work in participating employment. In Fiscal 2010 the cost of this benefit was $1.1 million. This benefit cost the Plan $3.7 million in Fiscal 2009. In total, the cost of the Plan's defined contribution benefit for retired Members is $10.8 million.

We hope that, by clearly explaining the due diligence process the Trustees conduct when evaluating the Plan's benefits, all Members will have a clear understanding of this key governance element of the Plan. A copy of the Funding and Benefits Policy is available to Members on request.

ACTUARIAL VALUATION

Membership Data	**2010**	2009	2008	2007	2006	2005	2004	2003
Number of active members	**9246**	9027	8869	7122	6283	5937	5193	5488
Average age of active members (in years)	**39.6**	39.2	38.9	40.1	40.1	40.1	41.1	40.5
Average hours worked	**1665**	1481	1755	1696	1802	1696	1633	1668
Number of pensioners (including disabled)	**2223**	2109	1977	1831	1704	1597	1488	1404
Average age of pensioners (in years)	**69.1**	68.9	68.7	68.7	68.6	68.5	68.5	68.4

The Pension Plan's actuarial valuation is a sophisticated mathematical tool prepared by a certified actuary. The actuary uses accepted actuarial standards, guided by the Canadian Institute of Actuaries, to estimate the future rate of growth of the Pension Plan's liabilities. This result is compared to the expected future assets of the Pension Fund. In calculating the asset growth of the Fund, the actuary also looks at consensus forecasts for future investment market returns and determines how these returns will come to bear given the asset mix of the Pension Fund. The actuary also takes into consideration the negotiated contribution rate established in the collective agreements and the estimated number of hours to be worked by the Plan's Members.

As part of satisfying their responsibility for monitoring the Pension Plan, the Trustees have an actuarial valuation of the Plan carried out each year. Current pension legislation requires that this measurement be carried out every three years. The Trustees consider that the knowledge acquired from an

actuarial valuation is vital to their understanding of the funded status of the Plan. If the Plan's assumptions for investment return, hours worked or life expectancy, are not met by the actual results of the Plan, the Trustees can take early corrective action, if necessary. The results of the actuarial valuation are taken into consideration when the Trustees review whether benefit improvements can be made.

Each year the Trustees review and approve the assumptions to be included in the actuary's preparation of the actuarial valuation. The Trustees are confident that the Plan's assumptions are realistic forecasts about the Plan's future. The assumptions include a reasonable margin in case there is a poor result in investment markets, contributions to the Fund or Plan demographics.

ACTUARIAL VALUATION (Cont'd)

There are many assumptions included in the preparation of an actuarial valuation. The two most important assumptions are:

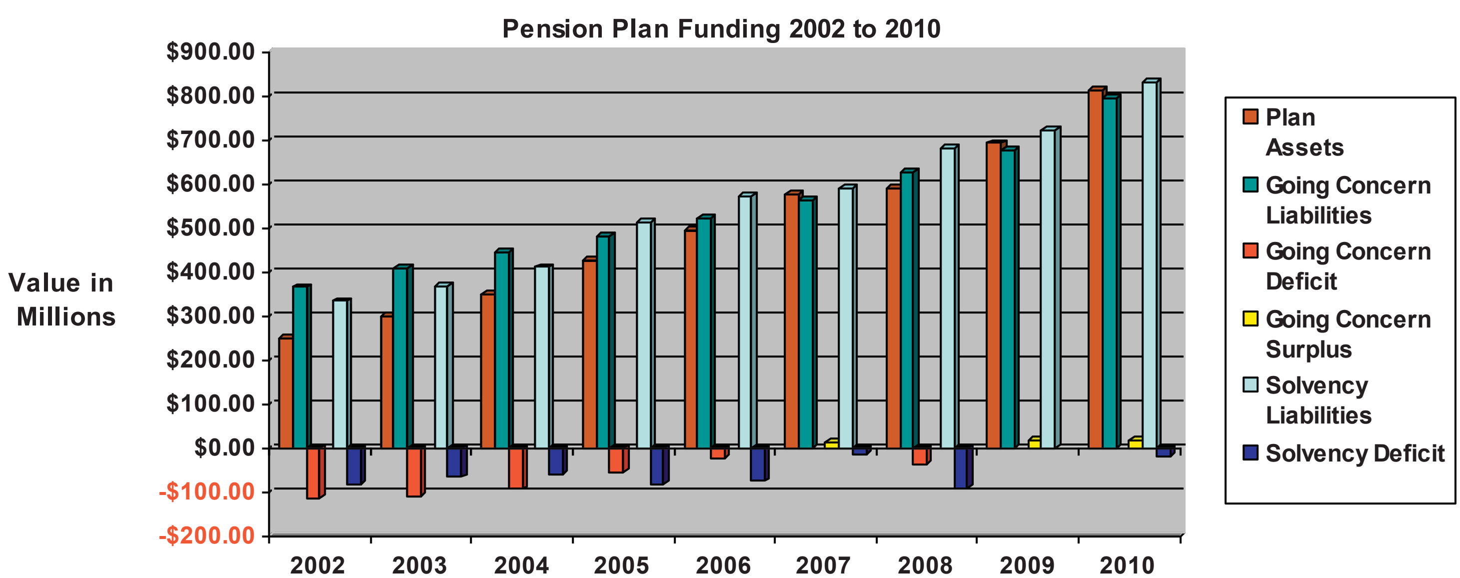
- *The rate of return that the Pension Fund's investments will earn.* This assumption predicts the future growth of the Pension Fund's assets.

  For the 2010 actuarial valuation, the target rate of return on Fund investments was decreased from 6.25% to 5.90%. This is the average rate that the Pension Fund's investments are expected to earn in the long term. The Trustees anticipate that, over short periods of time, the Fund's actual investment returns will be higher or lower than our 5.90% average return expectation. The Plan's investment return assumption is based on a complete review of financial market behavior and the return expectations of economists and investment professionals.

- *The number of hours each member will work in the future.* This assumption predicts the amount of contributions the Pension Fund will receive each year. The contribution rate is set out in the collective agreement and is a defined amount to be paid per hour worked. The more hours worked by Local 488 members, the higher the total amount of contributions that are paid to the Pension Fund. Contributions are invested and are used to pay the Plan's benefits and the Plan's solvency deficiency. For the fiscal year ended September 30, 2010, Local 488 members worked a total of 12.9 million hours, significantly more than the forecast of 10 million hours. For Fiscal 2011 the Plan's assumption is that Local 488 members will work 10 million hours. The assumption regarding hours worked is closely monitored at each Trustees' meeting. The Trustees are assuming 12 million hours will be worked by Local 488 members in Fiscal 2012 to Fiscal 2015 inclusive. Starting in Fiscal 2016 it is assumed that hours worked will start to decrease.

For the fiscal year ending September 30, 2010, the actuary provided an Actuarial Cost Certificate to confirm that the current employer contribution rate is sufficient to meet the Pension Plan's current service and special solvency payment requirements. Based on the Plan's projections for investment income and hours worked, and taking into consideration the benefit improvements announced by the Trustees, the Plan's solvency deficiency should be eliminated by the end of Fiscal 2014. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

The Pension Plan's funding status from 2002 to 2010 is shown in the illustration:



Roles and Responsibilities

A number of parties are responsible for ensuring that the Pension Trust Fund and the Health and Welfare Fund are maintained in a financially sound way that will provide pension and health benefits for members over the long term. They include:

Board of Trustees

The Board of Trustees has overall responsibility for the Pension Trust Fund and the Health and Welfare Fund, including supervision of the administration services provider, the investment managers and other delegates in the governance process. The Board is also responsible for the approval of the annual audited financial statements. The Board is made up of:

- four trustees elected by Local Union 488 members,
- three independent trustees selected by a nominating committee comprised of a representative of Local Union 488 and Construction Labour Relations – Alberta (CLRa). Included in this group is the independent chairman.

The Board's Audit Committee meets with the administration services provider and the external auditors to review the financial statements and examine other auditing and accounting matters. The Audit Committee examines the quality of the financial statement disclosure, the accounting principles applied and any significant judgments affecting the financial statements. The audited financial statements in this Report have been approved by the Audit Committee and the Board of Trustees. The Board's Investment Committee meets with investment managers and the investment consultant and makes recommendations to the Trustees in respect of the management of the Fund's investments.

Administration services provider

The administration services provider is appointed by the Board of Trustees and manages the Pension Trust Fund and the Health and Welfare Fund, and is responsible for providing quality service to the members. The administration services provider develops and maintains high-quality systems for internal accounting and administrative control. These systems are designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, financial information is timely, accurate and reliable, and assets are appropriately accounted for and adequately safeguarded. The administration services provider is also responsible for preparing financial statements in accordance with Canadian generally accepted accounting principles.

Actuary

The actuary is appointed by the Board of Trustees and carries out an annual valuation of the Pension Plan's actuarial liabilities in accordance with accepted actuarial principles. This process involves analyzing the benefits to be provided under the Pension Plan, including any increases to benefits. The actuary also provides advice to the Board of Trustees on funding and benefit policies, asset and liability structure, and other matters.

External auditors

The external auditors are appointed by the Board of Trustees. Their responsibility, the scope of their examination and their opinion is set out in the Auditors' Report. The external auditors have full and unrestricted access to staff of the administration services provider, the Audit Committee and the Board of Trustees to discuss any findings related to the integrity of the financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The external auditors rely on the work of the actuary for the actuarial liabilities disclosed in the notes to the financial statements.

Custodian

The custodian holds the Pension Fund's assets and executes trades under the direction of the Pension Fund's investment managers. The custodian is appointed by the Board of Trustees.

Investment managers

The investment managers each direct a portfolio of assets on behalf of the Pension Trust Fund or the Health and Welfare Fund. Investment guidelines are set by the Board of Trustees and communicated through a Statement of Investment Policies and Procedures. The investment managers are appointed by the Board of Trustees.

Investment consultant

The investment consultant is appointed by the Board of Trustees. The consultant is responsible for providing advice in respect of an appropriate asset mix which is designed to protect the benefits promised to members of the Pension Plan. The investment consultant is also engaged to review the performance of the investment managers and to make recommendations about the selection, and retention, of investment managers.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Pension Trust Fund

We have audited the statement of net assets and accrued pension liability of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2010 and the statements of changes in net assets available for plan benefits and statement of changes in funding excess (unfunded liability) for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Pension Trust Fund. 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 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 23, 2010

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Net Assets and Accrued Pension Liability

September 30, 2010, with comparative figures for 2009

	2010	2009
ASSETS		
Investments (Schedule 1)	$ 805,975,258	$ 641,279,502
Cash	1,423,858	44,972,626
Contributions receivable	8,765,998	9,369,672
Accounts receivable	114,072	1,460,521
Other assets	225,580	196,465
	816,504,766	697,278,786
LIABILITIES		
Accounts payable and accrued liabilities	1,236,655	966,377
Amounts due to other pension funds (note 4)	1,649,552	2,786,185
Other liabilities	152,893	162,119
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 5)	1,388	9,651
	3,040,488	3,924,332
Net assets available for benefits	813,464,278	693,354,454
Accrued pension liability (note 6)	797,415,278	676,994,454
Funding excess (note 6)	$ 16,049,000	$ 16,360,000

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Contributions:		
Employer contributions	$ 102,235,020	$ 85,670,427
Pension credits and reciprocal transfers	3,479,329	3,798,251
	105,714,349	89,468,678
Terminations and reciprocal transfers	(16,552,674)	(13,566,459)
	89,161,675	75,902,219
Net investment and other income:		
Net investment income (Schedule 2)	63,666,593	56,226,437
Other income	52,141	47,944
	63,718,734	56,274,381
Recovery of litigation expenses	-	1,403,507
	63,718,734	57,677,888
Payments made:		
Pension and disability benefits	(31,947,309)	(29,395,573)
Administrative expenses (Schedule 3)	(823,276)	(909,452)
	(32,770,585)	(30,305,025)
Increase in net assets available for benefits	120,109,824	103,275,082
Net assets available for benefits, beginning of year	693,354,454	590,079,372
Net assets available for benefits, end of year	$ 813,464,278	$ 693,354,454

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Funding Excess (Unfunded Liability)

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Funding excess (unfunded liability) at beginning of year	$ 16,360,000	$ (37,856,000)
Benefit improvement granted October 1, 2009	(27,140,000)	-
Interest at 5.90% (2009 – 6.25%) on funding excess (unfunded liability)	(40,274,000)	(2,366,000)
Net experience gains	17,383,000	15,095,000
Special payments to eliminate the unfunded liability and solvency deficiency	51,948,000	41,345,000
Net impact of other elements of gains and adjustments	(2,228,000)	142,000
Funding excess at end of year	$ 16,049,000	$ 16,360,000

See accompanying notes to financial statements.

Note 1

Description of the Plan

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations - an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated October 1, 1968 (the "Pension Trust Agreement") which has been amended and restated as of August 13, 2007. The Pension Trust Agreement provides for the establishment, maintenance, investment and administration of a trust fund known as The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund") created pursuant to The Edmonton Pipe Industry Pension Plan (the "Plan") which includes all restatements and amendments to October 1, 2009. The Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 1, 1965 (the "Collective Agreement") and renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011.

The following is a brief summary of the main provisions of the Plan in effect on September 30, 2010. It is not intended as a complete description of the Plan. For more complete information, reference should be made to the Plan documents.

(a) Eligibility for membership:

The Plan covers employees of the Party Employers that are bound by the Collective Agreement to contribute to the Pension Fund and other parties as determined by the Plan.

(b) Membership and credited service:

Members receive credit for hours earned. For service from October 1, 1992, to and including September 30, 1999, a member earns $4.83 per month in pension for each full 100 covered hours. For service on and after October 1, 1999, a member earns $5.07 per month in pension for each 100 covered hours.

(c) Contributions:

Members do not contribute to the Pension Fund. Employers contribute to the Pension Fund at the rate specified in the Collective Agreement.

(d) Retirement dates:

(i) Normal retirement date:

The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday.

Note 1

Description of the Plan (Cont'd)

(d) Retirement dates (Cont'd):

(ii) Early retirement date:

If a member has a vested pension, the member may choose to retire as early as age 55.

(iii) Postponed retirement:

Pension commencement may be postponed, and pension credits may continue to accrue up to the end of November of the year during which the member attains age 71.

(e) Retirement benefits:

(i) Normal retirement:

If a member retires on his normal retirement date, the member will be entitled to the pension that was accrued prior to retirement.

(ii) Early retirement pension:

If a member retires early, he will be entitled to a pension that is calculated the same way as for a normal retirement. If the member does not qualify for the special early retirement pension:

1. His earned pension is actuarially reduced from age 65; or
2. For a qualified member retiring after age 60, his earned pension is reduced by 3 percent for each year that his actual retirement age precedes the normal retirement age.

A qualified member retiring after attaining age 58, but prior to his normal retirement age, is entitled to a special early retirement pension if the sum of his age and years of credited service equal at least 80 points for ages 58 and 59, and 75 points after age 60, provided he has at least 15 years of credited service. The special early retirement pension is an unreduced pension commencing on his early retirement date.

(iii) Postponed retirement pension:

A member may elect to postpone retirement. In that case, benefits continue to accrue.

Upon the member's actual retirement date, he will be entitled to his accrued benefit without any actuarial adjustment or increase.

Note 1

Description of the Plan (Cont'd)

(f) Survivor benefits:

(i) Death prior to receipt of a pension:

If a member not in receipt of a pension dies after accruing a vested pension, his surviving spouse shall receive an immediate lifetime pension. The amount of monthly pension payable to her is the lesser of the amount of the monthly pension earned by the member prior to his death or 66-2/3% of his earned pension plus the amount he would have earned had he worked to age 65, subject to the minimum standards under the Employment Pension Plans Act. In lieu of a monthly pension, the surviving spouse may elect to receive a commuted value equal to the deceased members termination benefit calculated as if the member had terminated at his date of death.

No death benefit is payable in respect of any accrued pension which was not vested in the member at the time of his death. Benefits earned prior to October 1, 1999 vest after the member completes five years of vesting service. Benefits earned after September 30, 1999 vest after the member completes two years of vesting service.

If a member dies without a spouse after obtaining two years of vesting service, the member's beneficiary or estate shall receive the commuted value of any vested pension earned after September 30, 1999.

(ii) Death while in receipt of a pension:

For a member in receipt of a pension who does not have a spouse at the time of his death, all payments would cease upon the death of the member.

For a member who retired prior to January 1, 1992 who has a spouse at the time of his death, 75% of his monthly pension will be payable to his spouse after his death. For a member who retired on or after January 1, 1992 who has a spouse at the time of his death, the normal form of pension provides that 66-2/3% of his monthly pension will be payable to his spouse after his death.

Notwithstanding the foregoing, for a member who retired prior to the introduction of the long-term disability plan who dies prior to age 65 while in receipt of a disability pension, the spouse shall receive a survivor pension equal to the lesser of 66-2/3% of the monthly pension the member was receiving at the time of his death and the amount of pension accrued by the member to the date of his death.

For any member who elected an optional form of pension at the time of his retirement, any applicable survivor benefits will be payable in accordance with the terms of the optional form of pension chosen.

Note 1

Description of the Plan (Cont'd)

(g) Termination benefits:

A member terminating membership in the Plan after seven years of vesting service is entitled to receive a deferred pension from the Plan. A member terminating membership in the Plan after five years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1986. A member terminating his membership in the Plan after two years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1999. A member terminating membership before two years of vesting service is not entitled to receive any benefits from the Plan.

The normal, special and early retirement provisions applicable to a qualified member with deferred pension entitlements correspond to the provisions applicable to a qualified member as noted under the Retirement benefits section above. For other members entitled to deferred pensions, the pension is payable commencing at age 65. However, a member may elect to receive an actuarially reduced early retirement pension as early as age 55.

If a member is entitled to a deferred pension, he may also transfer the commuted value of that pension into another retirement vehicle in accordance with the applicable federal and provincial legislation.

(h) Disability:

A member who is in receipt of benefits from the long-term disability plan sponsored by The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund") shall be credited with deemed hours of covered employment at the average rate earned by all active members during the previous plan year.

All other members with a vested pension who become totally and permanently disabled are entitled to receive an immediate monthly pension equal to the vested pension earned prior to their becoming disabled.

(i) Post retirement benefits for retired members:

An amendment to the Pension Plan was approved by Trustees on September 7, 2007, effective January 1, 2007, to permit contributions for retired members under Age 71 returning to work with a contributing employer to accrue for the benefit of the retired member. The contributions received by the Pension Fund, for work periods after the retired members' initial retirement date, are held with the general assets of the Pension Fund and are immediately vested. For work periods after the retired member's initial retirement date and prior to October 1, 2009, the entire employer contribution accrues for the benefit of the retired member. For work periods after the retired member's initial retirement date and after September 30, 2009, a portion of the employer contribution, based on the Plan's current service cost rate, accrues for the benefit of the retired member. Upon subsequent retirement, a benefit will be transferred to a Locked-In Retirement Account (LIRA) on behalf of the retired member.

Note 2

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and present information about the aggregate financial position of the Pension Fund and the net assets available to meet future benefit payments. They 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. Because the precise determination of certain assets and liabilities is dependent upon future events and/or actuarial valuations, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Investments:

Investments are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of the investments is determined as follows:

(i) Cash and cash equivalents are recorded at cost, which together with accrued interest income, approximates fair value.

(ii) Canadian and Non-Canadian equities and fixed income securities are valued on the basis of quoted market values.

(iii) Private equities, infrastructure investments and real estate investments, are held through ownership in limited partnership arrangements or other similar investment vehicles. Fair value is determined based on relevant information reported by the General Partner using accepted industry valuation methods using valuations as of June 30, 2010 and September 30, 2010 being the most recently available market information. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows and third party transactions, or other events which would suggest a change in value of the investment.

(b) Foreign exchange:

Foreign currency transactions are translated into Canadian dollars using daily rates. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

Note 2

Summary of significant accounting policies (Cont'd)

(c) Investment income recognition:

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income and interest income.

(d) Common expenses:

Certain expenses are shared equally between the Pension Fund and The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

Note 3

Financial instruments

The fair values of investments are as described in note 2. The fair values of other financial assets and liabilities, being cash, accounts receivable, contributions receivable, accounts payable and accrued liabilities, amounts due to other pension funds and due to The Edmonton Pipe Industry Health and Welfare Fund approximate their carrying values due to the short-term nature of these financial instruments. The risks associated with the financial instruments are as set out below.

(i) Market risk:

Market risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or by other factors affecting all instruments traded in the market. As all of the Pension Fund's financial instruments are carried at fair value with fair value changes recognized in the statements of changes in net assets available for plan benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market risk is managed through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Interest rate risk:

Interest rate risk is the risk associated with short-term changes in nominal interest rates. The Pension Fund manages interest rate risk by establishing investment mix limits.

(iii) Credit risk:

Credit risk is the risk arising from the potential of issuers of securities to default on their contractual obligations to the Pension Fund. Such risk is mitigated by limiting the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service.

Note 3 (Cont'd)

Financial instruments (Cont'd)

(iv) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Pension Fund is exposed to risks arising from its holdings of foreign currency denominated equities and fixed income securities whereby the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value investments denominated in currencies other than Canadian dollars. Such risk is mitigated by limiting the amount of the Pension Fund's investments in non-Canadian investments.

(v) Liquidity risk:

Liquidity risk is the risk that the Pension Fund will not be able to meet its obligations as they fall due. Liquidity risk is mitigated whereby (a) the Pension Fund maintains sufficient cash to meet its short-term obligations and (b) maintains an investment policy which contains asset mix guidelines which help to ensure that the Pension Fund is able to liquidate investments on a timely basis to meet its pension benefit and other obligations.

Note 4

Amounts due to other pension funds

The Pension Fund has entered into reciprocal agreements with other pension funds. These agreements provide that contributions received on account of employees working outside of their local union jurisdiction are remitted on a monthly basis to the Pension Fund of which they are a member.

Note 5

Due to The Edmonton Pipe Industry Health and Welfare Fund

The amount due to The Edmonton Pipe Industry Health and Welfare Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 6

Obligation for pension benefits

These financial statements do not purport to indicate whether the assets of the Pension Fund, together with investment earnings thereon, plus future contributions, will be sufficient to finance all benefits to be provided under the Plan. An actuarial valuation of the Pension Plan was carried out by Mercer (Canada) Limited ("Mercer") and their determination of the funded position of the Pension Plan as of September 30, 2010 is set out below. The actuarial valuation is conducted on a going-concern basis whereby the relationship between assets and the value of accumulated benefits is determined; using the unit credit actuarial cost method assuming the Plan is maintained indefinitely.

The assumptions used in the valuation were developed as the best estimate of expected future market conditions and other future events. After consultation with Mercer, the Board of Trustees adopted this best estimate. The major assumptions used in the annual valuations, with the comparison to the actual, are as follows:

	2010		2009	
	Valuation assumption	Actual	Valuation assumption	Actual
Net investment return	5.90%	8.84%	6.25%	9.19%
Hours worked	10,000,000	12,853,958	11,000,000	11,397,700

The net investment return is net of all investment and administrative expenses.

Note 6 (Cont'd)

Obligation for pension benefits (Cont'd)

The Plan's funded position on a going concern basis as of September 30, 2010 is as follows:

	2010	2009
	(000's)	(000's)
Net assets available for benefits	$ 813,464	$ 693,354
Actuarial liability – present value of accrued benefits for:		
Active members	$ 408,748	346,442
Pensioners and survivors	300,423	251,496
Disabled pensioners	33,704	30,970
Deferred pensioners	43,757	38,357
Post-retirement benefits for active retired members	10,783	9,729
	797,415	676,994
Funding excess as determined on a going concern basis	$ 16,049	$ 16,360
Funded ratio	102%	102%

The Alberta Employment Pension Plans Act requires that a plan be valued on a solvency basis whereby the values of a plan's assets and liabilities are related to the corresponding values calculated as though the plan were wound up and settled on the valuation date. The solvency position as of September 30, 2010 has been determined by Mercer as follows:

Note 6 (Cont'd)

Obligation for pension benefits (Cont'd)

	2010	2009
	($000's)	($000's)
Net assets available for benefits	$ 813,464	$ 693,354
Termination expenses	(1,300)	(1,300)
Net value of assets available to provide benefits	812,164	692,054
Actuarial liability - present value of accrued benefits for:		
Active members	385,579	329,931
Pensioners and survivors	347,804	298,526
Disabled pensioners	36,062	36,280
Deferred pensioners	51,098	47,834
Post-retirement benefits for active retired members	10,783	9,729
Total solvency liability	831,326	722,300
Solvency deficiency	$ (19,162)	$ (30,246)
Solvency ratio (net assets available to provide benefits/total solvency liability)	98%	96%

Note 7

Retirement benefit obligation

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 1 - Investments

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
By investment manager:		
Phillips Hager and North Investment Management Ltd.	$ 208,129,046	$ 152,510,223
CIBC Global Asset Management Inc.	1,954,686	2,063,571
Letko, Brosseau & Associates Inc.	269,577,060	250,849,951
Connor, Clark & Lunn Investment Management Ltd.	66,281,997	41,766,466
QV Investors Inc.	66,444,553	43,275,978
Gryphon International Investment Corporation	127,230,507	117,755,974
JP Morgan Infrastructure Investments Fund	19,869,340	-
Brookfield Asset Management Inc.	2,544,168	-
Marathon Asset Management	4,497,858	-
Clairvest Equity Partners	1,156,964	-
SL Capital Partners	6,474,158	3,870,131
Standard Life Assurance Company of Canada	28,705,231	27,323,056
Northleaf Capital Partners	3,109,690	1,864,152
	$ 805,975,258	$ 641,279,502

By investment type	$	%	$	%
Cash and cash equivalents	13,399,179	1.7	9,563,440	1.5
Canadian equities	202,607,400	25.1	147,960,525	23.1
Non-Canadian equities	222,540,496	27.6	202,783,079	31.6
Private equities	10,740,513	1.3	5,734,274	0.9
Fixed income securities	307,530,725	38.2	247,915,128	38.6
Infrastructure	20,451,714	2.5	-	-
Real Estate	28,705,231	3.6	27,323,056	4.3
	805,975,258	100.0	641,279,502	100.0

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 2 - Net Investment Income

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Change in fair value of investments	$ 47,939,743	$ 43,211,927
Realized loss on sale of investments	(4,221,532)	(5,676,057)
Interest income	4,236,641	4,519,254
Dividend income	18,656,477	16,606,798
Other interest	58,670	159,378
	66,669,999	58,821,300
Investment manager fees	(2,495,597)	(2,120,295)
Investment consulting fees	(75,783)	(115,801)
Custodian fees	(432,026)	(358,767)
Net investment income	$ 63,666,593	$ 56,226,437

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 3 - Administrative Expenses

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Direct expenses:		
Administration fees	**$ 325,238**	$ 315,000
Litigation expenses	**-**	134,760
Actuarial and consulting fees	**153,353**	176,344
Independent trustees	**61,656**	61,910
Audit	**47,701**	52,940
Legal	**51,272**	23,568
Retirement benefit, net	**10,161**	10,740
Registration	**20,000**	20,000
Other expenses	**2,241**	2,478
	671,622	797,740
Common expenses shared with the Health and Welfare Fund (note 2(d)):		
Rent	**134,218**	52,129
Postage	**27,215**	42,223
Office expenses	**76,657**	65,012
Annual Report to members	**55,682**	30,418
Travel, conferences and meeting expenses	**16,167**	21,228
Other shared expenses (recoveries)	**(6,631)**	12,414
	303,308	223,424
Less Health and Welfare Fund's share	**(151,654)**	(111,712)
	151,654	111,712
	$ 823,276	$ 909,452

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

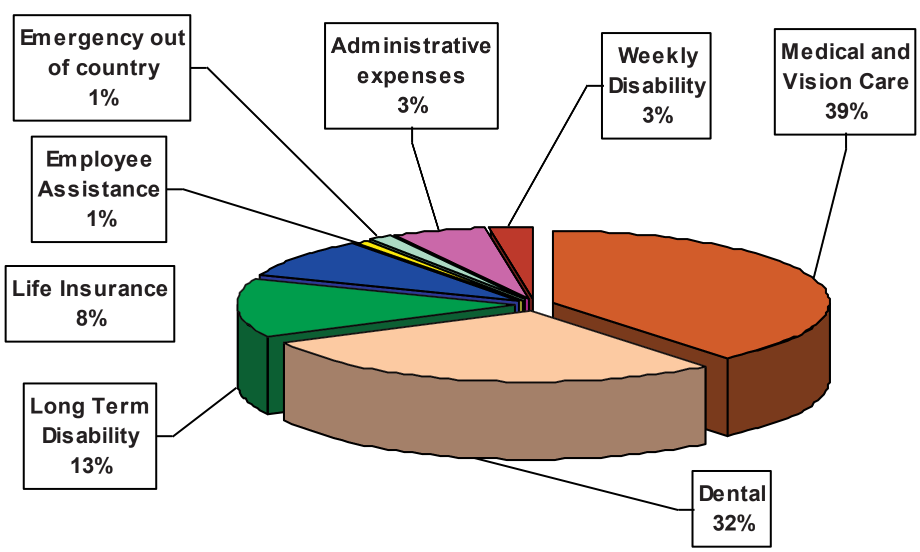
HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

The Trustees of the Health and Welfare Fund have the objective of providing a plan of benefits to covered Members to help offset normal health care expenses. In addition the Plan is designed to provide valuable benefits to help the Members and their families when there are major events such as death and disability. The Health and Welfare Plan provides life insurance, disability and health care benefits to active and disabled Members. The Plan provides life insurance, health and dental care benefits to retired Members. The Plan also provides health and dental benefits to the widows of active and retired Members. We believe the Plan contributes to the overall good health and well being of Plan Members and their families.

During the year ended September 30, 2010, on average, the Plan provided benefits to 6,976 active Members. During Fiscal 2009 the Plan covered 6,793 active Members. The Plan also provided benefits to 765 retired Members; 721 retired Members were covered in Fiscal 2009. The Plan also covered 35 disabled Members and 259 widows of Members. The Plan provided 157 Members with benefits under the self-payment program.

The Trustees also have the adequate funding of the Plan as an important objective. The Plan is financed under several funding arrangements including insurance policies underwritten by Manulife Financial. The Plan's medical, dental, vision care and weekly disability benefits are funded solely by the assets of the Health and Welfare Fund – there is no insurance contract guaranteeing the payment of these benefits. The Fund bears all of the risk of claims arising under these benefits. If there is not enough funding available to pay benefits, the Trustees would amend the Plan to bring funding in line with the cost of benefits.

During Fiscal 2010 the Fund issued payments of over $19.9 million to cover the claims for eligible health care, disability and life claims of Members and their families. This chart illustrates where the claims dollars were spent in Fiscal 2010:



HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)

In order to offer sustainable benefits to Plan Members, the Trustees must continually monitor the financial experience of the Plan. This ongoing examination of funding and benefit usage will help to ensure that the Plan has the necessary resources needed to meet the potential liabilities of the Plan. The liabilities of the Plan will fluctuate because of changes in our demographics and the Trustees must ensure that the Plan is responsive to the changing health care needs of the Members. The average age of our membership is increasing. Retired Member benefits are very highly subsidized by the Fund and, as the Plan covers more Retired Members, we must be careful to hold enough in reserve to support the coverage allowed under the Plan. Inflation and utilization in health care are also important trends monitored by the Trustees.

After a careful review of the Plan's coverage and contributions, the Trustees announced the Plan would be improved as follows:

1. Effective with dental expenses incurred on/after July 1, 2010, eligible expenses were reimbursed on the basis of the 2009 fee guide used by the Plan;
2. Effective with eligible dental expenses incurred on/after January 1, 2011, the maximum benefit was increased from $2,250 to $2,500 per person, per calendar year.
3. Effective with eligible expenses incurred on/after January 1, 2011, the five-year maximum contact lens benefit was increased to $500 per person from $250.

During 2010 there was health care legislation proposed in Alberta which would have impacted the Plan dramatically. The government proposed to make private health care plans, like ours, the first payor of drug expenses for seniors over age 65. The Plan has always been funded on the basis that the provincial medicare program would be the first payor for Members over age 65. The Trustees are certain that, if the proposed legislation ever came into effect, the Plan's benefits would be dramatically changed. The proposed legislation has not proceeded.

Also during 2010 the Alberta government passed legislation to control the price pharmacies may charge for generic drugs. This legislation should have a positive impact on the Plan, however the implementation period for the pricing changes is extended. Also, there are no real controls over the cost of the brand name drug on which the generic drug pricing is based.

In 2010 the federal government made proposals which would change how the Plan's future benefits could be funded. The proposed income tax legislation, which introduced a new form of health benefit trust, could have severely limited the Trustees' ability to set aside money for benefits due more than one year in the future. If this legislation had come into law, the Trustees would have had to immediately reconsider how retired Member benefits are offered. In the end the proposed legislation did not proceed.

In addition to providing excellent health care benefits, the Trustees have set a standard for clear, accurate and timely communication with Members. A very good resource for information about the Plan is the Plan's Web Site, ***www.epibenefitplans.com***. Changes to the Plan are always communicated to Members in newsletters.

The Trustees set high standards for services offered to Members. The Benefit Office staff is experienced and ready to help Members achieve the best the Plan has to offer. Hundreds of Members visit the Benefit Office for one-on-one assistance from staff. The Benefit Office has now moved into its new offices on the second floor of the Local 488 office building. There is elevator and stair access to the Benefit Office. It is not necessary to call ahead if you wish to drop in to have a claim paid. It is recommended that you call ahead if you would like to have a personal discussion with staff – so that the Benefit Office can assure the right resources are available to help.

Funding of Welfare Plan Benefits

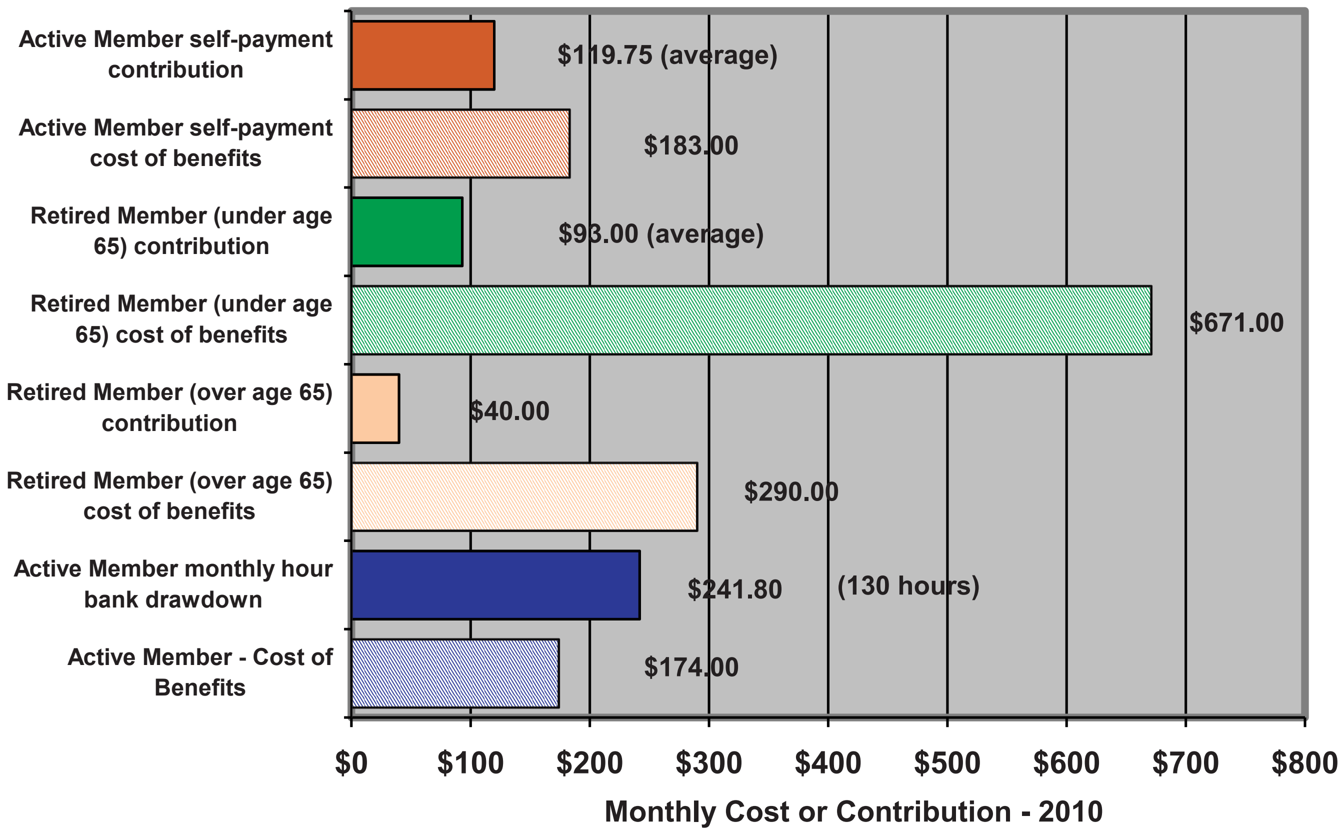
At the end of Fiscal 2010 the Fund had sufficient assets on hand to provide benefits to active Members for the entire amount deposited to their hour banks. The Fund also retained sufficient monies to provide retiree benefits for a period of 36 months.

Retiree benefits are an important feature of the Plan. Benefits provided to Retirees are highly subsidized by the Plan. The Trustees have made the decision to provide these benefits as long as the funding for them is available and there are no legislative barriers to providing them. The Trustees may change the type of benefit provided, or the amount retired Members pay to the Plan for benefits, in order to secure the appropriate level of funding. There is no change in pay direct requirements for retired Members at this time. However, reference to the earlier discussion in the Annual Report about the changes proposed by the Alberta government in 2010 should make us all aware that governments are considering shifting responsibility for the cost of prescription drugs to private health care plans, like ours.

After the Fund had set aside sufficient money to cover its defined liabilities, the Fund held a reserve of $58 million, called Fund equity. Fund equity will support subsidies to Members, benefits for retired members and future benefit improvements.

The following graph shows the relationship between the average monthly self-payment contribution, or hour bank drawdown, and the average monthly cost of benefits paid by the Plan in Fiscal 2010.

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)



The chart below shows how the average monthly cost of benefits has changed compared to 2009:

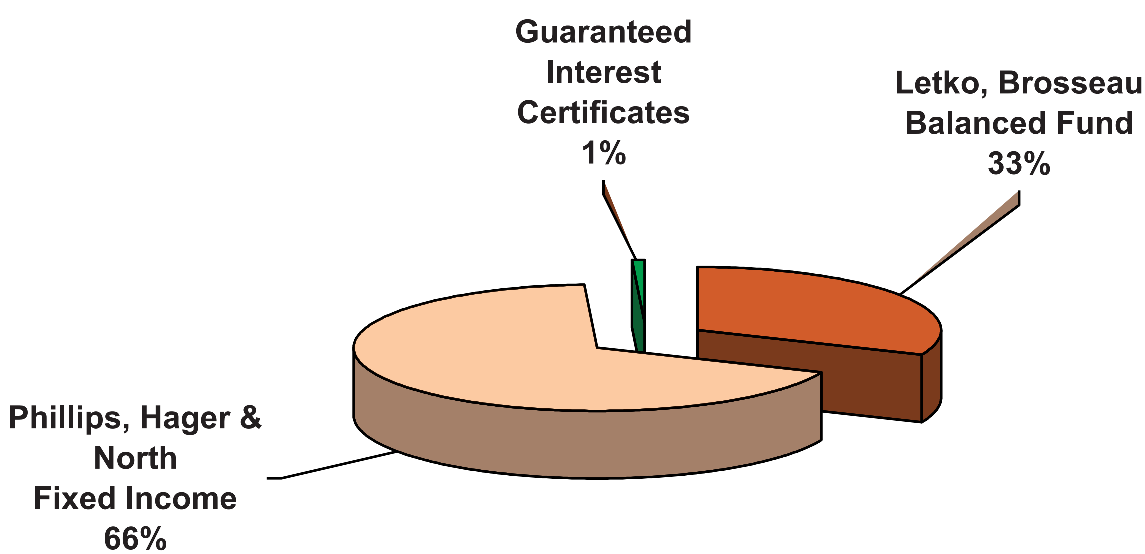
Classification	Fiscal 2010 Average Monthly Cost of Benefits	Fiscal 2009 Average Monthly Cost of Benefits	Fiscal 2008 Average Monthly Cost of Benefits	Change in Cost of Benefits 2009 to 2010	Change in Cost of Benefits 2008 to 2010
Active Members using self-payment	$183.00	$197.00	$201.00	-7%	-9%
Retired Members under age 65	$579.00	$671.00	$573.00	+15.9%	+1%
Retired Members over age 65	$290.00	$279.00	$262.00	+5.45%	+10.7%
Active Members	$171.00	$174.00	$173.00	+1.75%	-1.1%

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)

WELFARE FUND INVESTMENTS

The Fund's investments are governed by an investment policy approved by the Trustees. Investment income is important to the Fund because, as shown above, some of the Plan's benefits are highly subsidized. Investment income helps to support the subsidies. Without investment income, earned under a conservative investment mandate, the active Members' hour bank drawdown would be higher. The Fund's investment policy ensures that there are sufficient liquid assets on hand to pay benefits and premiums. The investment policy also allows some assets to be invested in longer-term securities.

The Fund earned investment income of $3.0 million in Fiscal 2010 ($2.3 million in Fiscal 2009). Investment income is earned from a balanced portfolio managed by Letko, Brosseau & Associates. At the end of Fiscal 2010, the assets managed by Letko, Brosseau had a market value of $28.4 million. The Fund also has an investment of $56.8 million managed by Phillips, Hager & North Investment Funds Ltd. This investment is in short term bonds which addresses the Fund's need for security of capital and liquidity. The Fund also owned a Canadian Western Bank $750,000 guaranteed interest certificate. A snapshot of where the Fund's assets are invested follows:



THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Health and Welfare Fund

We have audited the statement of financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2010 and the statement of operations and changes in members' equity for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Health and Welfare Fund. 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 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 10, 2010

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

September 30, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	**$ 4,870,809**	$ 4,202,354
Investments (note 4)	**85,932,379**	76,420,429
Contributions receivable	**2,663,463**	3,122,925
Accrued interest	**5,554**	47,578
Prepaid expenses and deposits	**573**	7,131
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	**1,388**	9,651
	$93,474,166	$ 83,810,068
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued liabilities	**$ 1,108,333**	$ 392,422
Amounts due to other health and welfare funds (note 6)	**468,142**	810,266
Reserve for unpaid claims	**1,954,889**	1,666,713
Reserve for advance contributions	**37,346**	34,910
	3,568,710	2,904,311
Members' equity:		
Reserve for future plan benefits (note 7)	**3,921,430**	29,483,698
Fund equity	**57,984,026**	51,422,059
	89,905,456	80,905,757
	$93,474,166	$ 83,810,068

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Operations and Changes in Fund Equity

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Employer contributions	**$ 30,471,105**	$ 27,739,247
Members' and pensioners' cash contributions	**632,442**	602,437
Reciprocal transfers from other health and welfare funds (note 6)	**952,562**	1,094,708
Members' optional insurance contributions	**56,213**	45,187
Reciprocal transfers to other health and welfare funds (note 6)	**(4,739,214)**	(4,069,478)
Other	**-**	(14,400)
	27,373,108	25,397,701
Net investment income (Schedule 1)	**2,978,885**	2,286,691
	30,351,993	27,684,392
Benefit expenses:		
Health, dental, vision and short-term disability claims paid	**14,984,313**	13,346,912
Long-term disability premiums	**2,043,647**	2,317,608
Life insurance premiums	**1,895,770**	1,991,690
Accidental death and dismemberment premiums	**429,934**	462,394
Claims administration fees	**550,956**	501,094
Employee assistance program	**259,553**	224,779
Out-of-country insurance premiums	**266,508**	262,694
Members' optional life insurance premiums	**51,215**	52,939
Increase (decrease) in reserve for unpaid claims	**288,176**	(50,413)
	20,770,072	19,109,697
Excess of revenue over benefit expenses	**9,581,921**	8,574,695
Administrative expenses (Schedule 2)	**582,222**	561,518
Excess of revenue over expenses	**8,999,699**	8,013,177
Members' equity, beginning of year	**80,905,757**	72,892,580
Members' equity, end of year	**$ 89,905,456**	$ 80,905,757

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

Year ended September 30, 2010

Note 1

Nature of the Fund

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations – an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated May 7, 1965 (the "Health and Welfare Trust Agreement") which has been amended and restated as of August 13, 2007. The Health and Welfare Trust Agreement provides for the establishment, maintenance, investment and administration of a fund known as The Edmonton Pipe Industry Health and Welfare Fund (the "Health and Welfare Fund"), created pursuant to The Edmonton Pipe Industry Health and Welfare Plan (the "Health and Welfare Plan") which includes all restatements and amendments to July 1, 2009. The Health and Welfare Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 7, 1965 (the "Collective Agreement") and renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement.

Members are not required to contribute to the Health and Welfare Fund. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement. Benefits provided under the Health and Welfare Plan are paid from the Health and Welfare Fund.

For more complete information, reference should be made to the Health and Welfare Fund Trust Agreement, and the Health and Welfare Plan documents.

The benefits provided by the Health and Welfare Plan are funded using a variety of methods as set out below:

a) health, dental, vision and short-term disability benefits are funded solely by the assets of the Health and Welfare Fund;

b) long-term disability, accidental death and dismemberment, and optional life insurance benefits are provided by Manulife Financial under a contract of insurance which uses a pooled funding method;

c) Member and dependent life insurance benefits are provided under contract with Manulife Financial. This contract has a hold-harmless provision which may require that the Health and Welfare Fund pay any shortfall of premiums which are insufficient to pay claims;

d) administration of the out-of-country insurance is arranged under contract with Global Excel; and

e) the employee assistance program is administered by the Construction Employees Family Assistance Program.

The Board of Trustees reserves the right to amend or terminate any of the benefits under the Health and Welfare Plan.

Note 2

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and present information about the aggregate financial position of the Health and Welfare Fund and the net assets available to meet benefit payments. They are prepared to assist Health and Welfare Plan members and others in reviewing the financial activities of the Health and Welfare Fund for the fiscal period but they do not portray the financial position of the Health and Welfare Plan, its funding requirements nor the benefit security of individual Health and Welfare Plan members. Because the precise determination of certain assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Investments

Investments have been classified as held-for-trading and recorded at fair value. Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, reported directly in net assets. Transaction costs are expensed as incurred.

(b) Other financial assets and financial liabilities

Contributions receivable, accrued interest and due from The Edmonton Pipe Industry Pension Trust Fund have been classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and amounts due to other health and welfare funds are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

(c) Foreign exchange

Foreign currency transactions are translated into Canadian dollars using daily rates. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(d) Investment income recognition

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income and interest income, less investment management fees.

(e) Common expenses

Certain expenses are shared equally between The Health and Welfare Fund and The Edmonton Pipe Industry Pension Trust Fund ("Pension Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

Note 2 (Cont'd)

Summary of significant accounting policies (Cont'd)

(f) Income taxes

The Health and Welfare Fund is a trust recognized administratively by the Canada Revenue Agency. The investment income earned by the Health and Welfare Fund is subject to income tax; however, there are sufficient deductions to offset the income and thereby not incur tax.

Note 3

Financial instruments

The fair values of investments are as described in Note 2. The fair values of other financial assets and liabilities approximate their carrying values due to the short-term nature of these financial instruments. The risks associated with the financial instruments are as set out below.

(i) Market risk

Market risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or by other factors affecting all instruments traded in the market. As all of the Health and Welfare Fund's financial instruments are carried at fair value with fair value changes recognized in the statements of operations and changes in fund equity, all changes in market conditions will directly affect the operations and changes in fund equity. Market risk is managed through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Interest rate risk

Interest rate risk is the risk associated with short-term changes in nominal interest rates. The Health and Welfare Fund manages interest rate risk by establishing investment mix limits.

(iii) Credit risk

Credit risk is the risk arising from the potential of issuers of securities to default on their contractual obligations to the Health and Welfare Fund. Such risk is mitigated by limiting the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Health and Welfare Fund is exposed to risks arising from its holdings of foreign currency denominated equities and fixed income securities whereby the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of investments denominated in currencies other than Canadian dollars. Such risk is mitigated by the diversification of the balanced fund's investments across many jurisdictions including Canada.

(v) Liquidity risk

Liquidity risk is the risk that the Health and Welfare Fund will not be able to meet its obligations as they fall due. Liquidity risk is mitigated whereby (a) the Health and Welfare Fund maintains sufficient cash to meet its short-term obligations and (b) maintains an investment policy which contains guidelines which help to ensure that the Health and Welfare Fund is able to liquidate investments on a timely basis to meets its health and welfare benefit and other obligations.

Notes to Financial Statements (Cont'd)

Year ended September 30, 2010

Note 4

Investments

	Rate	Maturity	**2010**	2009
Canadian Western Bank GIC	0.87%	October 17, 2010	**$ 750,000**	–
Royal Bank of Canada T-Bill	0.05%	October 1, 2009	**–**	4,399,428
Royal Bank of Canada T-Bill	0.02%	December 10, 2009	**–**	5,202,740
Canadian Western Bank GIC	0.33%	January 5, 2010	**–**	2,279,006
Royal Bank of Canada T-Bill	0.40%	February 18, 2010	**–**	10,985,318
Canadian Western Bank GIC	1.778%	April 3, 2010	**–**	733,000
Royal Bank of Canada T-Bill	0.40%	June 10, 2010	**–**	10,985,325
			750,000	34,584,817
Letko, Brosseau & Associates - balanced fund			**28,417,311**	25,139,069
Fiera Capital Management Inc. - money market pooled funds			**–**	5,677,898
Phillips, Hagar & North Investment Funds Ltd. - short-term bond and mortgage fund			**56,765,068**	11,018,645
			$ 85,932,379	$ 76,420,429

Note 5

Due from The Edmonton Pipe Industry Pension Trust Fund

The amount due from the Pension Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 6

Reciprocal agreements with other health and welfare funds

The Health and Welfare Fund has entered into reciprocal agreements with other health and welfare funds. These agreements provide that contributions received on account of employees working in a jurisdiction other than their local union are remitted on a monthly basis to the local union of which they are a member.

Note 7

Reserve for future plan benefits

The reserve for future plan benefits is established by the Trustees to support the payment of benefits to members and their beneficiaries. The reserve for future plan benefits of $31,921,430 (2009 - $29,483,698) is comprised of two components calculated as follows:

(a) For active members, an estimated provision based on (i) the average actual cost of benefits for such members for the 12 months ended September 30, 2010 multiplied by (ii) the estimated number of months of coverage determined by dividing the accumulated hour bank for all active members by 130 hours; and

(b) For retired, disabled and widows of deceased members, an estimated provision based on (i) the average actual cost of benefits for such group of persons for the 12 months ended September 30, 2010 multiplied by (ii) 36 months.

Note 8

Statement of cash flows

A statement of cash flows has not been presented as management believes that a separate statement would not result in any additional useful information. The general cash flow information is readily apparent from the statement of operations and changes in fund equity.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 1 – Net Investment Income

As at September 30, 2010, with comparative figures for 2009

	2010	2009
Increase in fair value of investments	$ 710,620	$ 683,952
Interest and dividend income	90,599	898,576
Short term bond and mortgage interest income	1,582,964	96,757
Pooled investment income	741,445	677,602
	3,125,628	2,356,887
Investment management fees	(146,743)	(70,196)
Net investment income	$ 2,978,885	$ 2,286,691

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 2 – Administrative Expenses

As at September 30, 2010, with comparative figures for 2009

	2010	2009
Direct expenses:		
Administration fees	**$ 325,238**	$ 315,000
Independent trustees	**34,487**	31,787
Audit	**24,665**	19,294
Office expenses	**10,463**	14,817
Legal	**2,131**	712
Bank charges	**27,643**	50,324
Computer maintenance	**5,440**	10,338
Other expenses	**501**	7,534
	430,568	449,806
Common expenses shared with the Pension Fund [note 2(e)]:		
Rent	**134,218**	52,129
Postage	**27,215**	42,223
Office expenses	**76,657**	65,012
Annual Report to members	**55,682**	30,418
Travel, conferences and meeting expenses	**16,167**	21,228
Other shared expenses (recoveries)	**(6,631)**	12,414
	303,308	223,424
Less Pension Fund's share	**(151,654)**	(111,712)
	151,654	111,712
	$ 582,222	$ 561,518