RETIREMENT PLAN OF THE UNIVERSITY OF GUELPH

For the Year Ended September 30, 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
95 King Street South, Suite 201
Waterloo, Ontario
Canada N2J 5A2
Telephone +1 519 570 5700
Facsimile +1 519 570 5730

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Auditors' Report

To the Board of Governors of the University of Guelph

We have audited the statement of net assets available for benefits of the Retirement Plan of the University of Guelph (the "Plan") as at September 30, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are the responsibility of the pension plan's management. 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 the Plan's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits as at September 30, 2009 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 3 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Governors of the University of Guelph and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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Retirement Plan of the University of Guelph

Statement of Net Assets Available for Benefits
As at September 30, 2009
(in thousands of dollars)

	2009	2008
ASSETS		
Interest in Pooled Fund of University of Guelph Pension Plans (Note 2)	220,808	214,918
Employer contributions receivable	235	-
Member contributions receivable	154	-
Accrued interplan transfers	422	-
	221,619	214,918
LIABILITIES		
Accounts payable (Note 6)	1,783	2,190
Accrued interplan transfers	-	122
	1,783	2,312
Net Assets Available for Benefits	219,836	212,606

Retirement Plan of the University of Guelph

Statement of Changes in Net Assets Available for Benefits
As at September 30, 2009
(in thousands of dollars)

	2009	2008
Increase in Net Assets		
Employer contributions	419	14,474
Member contributions	4,493	4,231
	4,912	18,705
Investment income	7,370	8,424
Net realized gains	-	4,417
Net increase in unrealized gains	31,152	-
	38,522	12,842
Total Increase in Net Assets	43,434	31,547
Decrease in Net Assets		
Net realized losses	26,326	-
Net decrease in unrealized gains	-	37,513
Pension payments	8,014	7,692
Interplan transfers	43	142
Refunds of contributions	1,448	2,866
Administrative expenses and professional fees (Note 7)	373	348
Total Decrease in Net Assets	36,204	48,561
Net Increase (Decrease) for the Year	7,230	(17,014)
Net Assets at Beginning of Year, at Market Value	212,606	229,620
Net Assets at End of Year, at Market Value	219,836	212,606

1. Description of Plan

The following description of the Retirement Plan of the University of Guelph (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Text.

General

The Plan is a contributory defined benefit pension plan and is registered with Canada Revenue Agency and the Financial Services Commission of Ontario (registration #0324624). The Plan holds units in the Pooled Fund of the University of Guelph Pension Plans. The Plan is integrated with the Canada Pension Plan ("CPP").

Plan Eligibility

The Plan covers all regular full-time and certain part-time employees other than faculty and professional staff. Effective October 1, 1997 newly hired regular full-time employees other than faculty and professional staff must become members of this pension plan. Temporary full-time and certain part-time employees other than faculty and professional staff, may be eligible to join this plan after 24 continuous months of employment with the University.

Service Pensions

A service pension is available based on the number of years of service, to a maximum of 35 years, times the sum of 1.5% (1.6% for USW Local 4120 members, Exempt Group members and CUPE 1334 members) of the final average earnings up to the average CPP yearly maximum pensionable earnings and 2.0% of the difference between average CPP yearly maximum pensionable earnings and final average earnings. Final average earnings are based on the employee's best 36 consecutive months of earnings. The normal retirement age is 65.

Survivor Pensions

A survivor pension is paid to a spouse, a dependent child, or a named dependent of a plan member if so elected by the plan member.

Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of contributions plus interest. Similarly, a death refund is payable to the named beneficiary of the estate of a plan member where no survivor pension is paid.

Upon application, and subject to lock–in provisions, a withdrawal refund, with interest on the contributions, is payable when a plan member ceases to be employed by the University of Guelph.

Vesting

Pension benefits vest in the plan member immediately upon joining the Plan.

1. Description of Plan (continued)

Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes.

Funding Policy

In accordance with the Plan Text, plan members, who do not belong to USW 4120 or the Exempt Group, are required to contribute 4.55% of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. USW 4120, Exempt Group and CUPE 1334 plan members are required to contribute 6.16%, 5.94% and 5.62% respectively, of their salary up to CPP yearly maximum pensionable earnings and 6.25% of their salary above the CPP yearly maximum pensionable earnings to the Plan. CUPE 1334 plan members contribute 7.32% on salary above the CPP yearly maximum pensionable earnings. The University of Guelph is required to provide any additional funding, based on actuarial valuations, necessary to ensure that defined benefits will be fully provided for at retirement. The most recent actuarial valuation for funding purposes was prepared by Towers Perrin as of August 1, 2007 and a copy of this valuation was filed with the Financial Services Commission of Ontario.

2. Interest in Pooled Fund

The assets of the Plan are administered in a Pooled Fund, which includes the assets of other University of Guelph pension plans. The Plan holds units in the Pooled Fund and these units had a market value of $220.8 million (2008 - $214.9 million) and a book value of $210.6 million (2008 - $235.9 million) at September 30, 2009. The unrealized gain at September 30, 2009 was $10.2 million (2008 - $21.0 million loss).

The market value of the units in the Pooled Fund reflects the market value of the underlying assets of the Pooled Fund where available, or comparable security prices as appropriate.

3. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the plan. Consequently, these financial statements do not purport to show the adequacy of the plan's assets to meet its pension obligations.

3. Significant Accounting Policies (continued)

Change in Accounting Policies

Beginning this fiscal year the Pension Plans of the University of Guelph adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535: Capital Disclosures, which requires the disclosure of qualitative information on the Plan's managed capital. Details of this disclosure are provided in Note 5.

In addition the CICA released Handbook Section: 3862, *Financial Instruments –Disclosures and 3863, Financial Instruments –Presentation,* which enhance disclosures about the significance of financial instruments to the Plans financial position and performance, the nature and extent of risks arising from financial instruments, and how the Plans manage those risks

Realized Income

Realized income in the pool consists of realized gains and losses on the sale of investments, recorded at the settlement date and based on the average cost of the securities, plus interest income, recognized as it accrues, plus dividend income, recognized as of the ex-dividend date, less investment counsel fees and trustee fees.

The Plan's pro-rata share of total realized income is calculated based on the units held by the Plan in the Pooled Fund.

Contributions, Benefit Payments and Refunds

Contributions, benefit payments and refunds are recorded on the accrual basis.

4. Financial Instruments Risk Management

The objective of the Pension Plan's investment portfolio is to achieve long-term investment growth to provide the Plan with assets sufficient to meet member's pension benefit payment obligations.

The Plan may invest in government guaranteed bonds, corporate bonds, equity securities, pooled and segregated funds, real estate and derivative financial instruments. Assets are managed by a variety of investment managers in accordance with documented investment policies established and monitored by the University's Investment Management Committee. The Plan's activities expose it to a variety of financial risk, such as, market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The allocation of assets among various types of investments and performance of investments held by the Plan are monitored by the Investment Management Committee and reviewed by the Pension Committee. Divergence from target asset allocation and the composition of the portfolio is monitored by the Plan's Investment Management Committee.

4. Financial Instruments Risk Management (continued)

The Pension Committee oversees how management monitors compliance with the Plan's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Plan.

Market risk

The Plan's investments are susceptible to market risk which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Plan's market risk is affected by the volatility of market rates or prices, such as interest rates, foreign exchange rates and equity prices.

Interest rate risk
The Plan is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates on interest rate sensitive investments. The interest bearing investment portfolio has guidelines on concentration, duration and distribution which are designed to mitigate the risk of interest rate volatility.

Currency risk
The Plan holds assets denominated in currencies other than the Canadian dollar, the functional currency. It is therefore exposed to currency risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Credit Risk

The Plan takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Through polices and guidelines, the Investment Management Committee assesses all counterparties for credit risk before contracting with them and limits credit exposure based on credit ratings.

Liquidity Risk

Liquidity risk is the risk that the Plan may be unable to meet payment obligations in a timely manner at a reasonable cost or the risk of unexpected increases in the cost of planning the portfolio at appropriate maturities or rates.

Management of liquidity seeks to ensure that, even under adverse conditions the Plan has access to immediate cash necessary to cover benefits payable, withdrawals and other liabilities. Liquidity risk is managed through asset allocations and cash flow assessments which estimate cash requirements against availability.

5. Management of Capital

The capital of the Plan is represented by the net assets available for benefits. The University's objective when managing the Plan's capital is to safeguard the assets of the Plan to support the Plan's investment objectives.

6. Accounts Payable

[in thousands of dollars]	2009	2008
Refund of contributions plus interest	1,622	2,049
Administration fees to the University of Guelph	116	97
Professional fees	28	25
Provincial regulatory fees and Pension Benefit Guarantee Fund	17	19
	1,783	2,190

7. Administrative Expenses and Professional Fees

[in thousands of dollars]	2009	2008
University of Guelph Administrative Fee	158	140
Professional Fees:		
Actuarial Fees	153	172
Legal, Accounting and Auditing Fees	11	7
Other Fees*	51	29
	373	348

* includes Provincial regulatory fees and Pension Benefit Guarantee Fund.

8. Related Party Transactions [in thousands of dollars]

During the year ended September 30, 2009, the University of Guelph charged the Pooled Fund $615 (2008 - $564) for administrative services. Of these charges, $158 (2008 – $140) related to the retirement plan.

9. Comparative Numbers

Certain comparative numbers have been reclassified to conform to the current year presentation.