



Canadian Scholarship Trust **Founders' Plan**

Audited Financial Statements and
Management Report of Fund Performance

October 31, 2010 and 2009



Distributed by
C.S.T. Consultants Inc.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust – Founders’ Plan (“Plan”). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at www.cst.org or SEDAR at www.sedar.com, or by calling our customer service area at 1-877-333-7377, or by writing to us at 2225 Sheppard Avenue East, Suite 600, Toronto, Ontario M2J 5C2.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as important contributors to overall corporate performance and long-term investment returns, and as such we support the proxy voting guidelines established by our investment managers. Investment restrictions contained in Canadian Securities Administration policy, as well as the Foundation’s investment policy, result in the Plan primarily investing in federal and provincial government fixed income securities. As a result, proxy voting is not applicable at this time.

Investment Objective and Strategy

The Plan invests in a prudent manner, with a focus over the long term to protect your principal and deliver a positive return on your investment. The Plan invests primarily in fixed income securities issued by the Canadian federal or provincial governments and corporate debt securities issued by public corporations. The Plan also invests in variable rate securities, which are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return of the security. Included in this asset class are structured notes that are debt instruments, whose returns are based on movements in equity indexes rather than typical interest payments.

The fixed income component of the Plan is managed by Addenda Capital Inc., Greystone Managed Investments Inc., and TD Asset Management Inc. The assets are allocated among different market sectors and different maturity segments at our portfolio managers’ discretion, subject to the constraints defined in our investment policies and mandates. Our investment professionals actively manage the Plan, focusing on strategies where value can be added on a sustainable basis. These strategies include sector allocation, duration management, credit research and yield curve positioning.

Risk

The overall risk of the Plan remains as described in the prospectus. There were no material changes to the Plan over the financial year that affected the level of risk.

Results of Operations

For 2010, the Plan’s rate of return, net of fees, was 5.8% compared to the investment policy benchmark (“benchmark”) return of 7.3%. The benchmark used for the Plan is the DEX Universe All Government Bond Index, which measures Canadian investment grade fixed income securities issued by the Government of Canada, including Crown Corporations and provincial governments. The Plan’s return is after the deduction of fees and expenses of 0.7%, while the index return does not include any costs of investing such as fees, expenses and commissions.

The difference between the Plan’s return and the benchmark was largely due to the shorter duration of the Plan’s fixed income securities. As the Bank of Canada raised its policy overnight rate throughout 2010, yields rose on short and medium-term

government bonds which caused bond prices to fall relative to their longer-term counterparts.

Both federal government and investment grade corporate bonds posted strong gains throughout the year. Corporates have continued to outperform government bond issues as spreads have steadily narrowed from historically wide margins following the global credit crisis in September 2008. Our investment managers took advantage of these market opportunities and maintained overweight positions in these securities.

The Plan’s investment policy also includes an allocation to Variable Rate Securities, in particular equity-linked structured notes. These securities were purchased to enhance the Plan’s yield as the returns are linked to the performance of a broad equity index, such as the TSX/S&P 60. Under the agreed terms of the notes, positive returns are capped and the return of principal at maturity is protected from any negative performance. The risk/reward nature of these securities, with built-in performance caps, limits volatility, mitigating the downward impact on rates of return for these securities. For 2010, the return on the Variable Rate Securities component of the Plan was -0.1%.

During the year, the remaining Variable Rate Securities matured and the proceeds were invested in government bonds. As at October 31, 2010, 99.3% of the Plan’s assets were invested in Government and Corporate Bonds and 0.7% in Cash and Short-Term Investments.

In the early part of 2010, market optimism was very much on the rise. The U.S. reported a very strong 5% GDP number for the fourth quarter of 2009, while Canada posted a 6% GDP rate for the first quarter of 2010, and Chinese growth surged to 12%. However, the powerful rally in the stock and corporate credit markets lost momentum as investor confidence was dealt a serious blow in April 2010, when the sovereign debt crisis in Europe erupted. Fortunately, a financial crisis was defused when the European Economic and Monetary Union and the International Monetary Fund established a rescue package for troubled Eurozone members. This helped ease some financial market concerns about a double dip recession.

After navigating through the global recession in relatively good shape, Canada enjoyed a strong bounce back in the early stages of the recovery, which produced strong job gains and a decline in the unemployment rate. However, in the second quarter of 2010, Canada’s economy subsequently slowed to a relatively subdued

growth rate of only 2.0%, caused by the deterioration in the U.S. outlook, a downswing in Canadian housing and nervousness about the ability of the global economy to weather the implementation of much needed fiscal tightening. Nonetheless, Canada remains a major supplier of needed commodities for nations like China and India, whose economies continue to expand.

Recent Developments and Other Information

Recently, there have been signs of a change in sentiment, with investors appearing to embrace the idea that the global economy has built sufficient momentum to withstand the downward pressure of Europe’s sovereign debt crisis. Although doubts about the financial strength of some of the European members (such as Ireland and Spain) resurfaced at the end of the third quarter, there is no longer an immediate threat that this crisis will shatter investor confidence. Global trade volumes have returned to pre-2008 crisis levels, and although there is a long way to go before the global economy is running smoothly, the risk of another dip into recession is no longer dominating market sentiment. A continued improvement in credit conditions in the U.S. and domestic household balance sheets should slowly begin to heal the wounds from the recession, but the recovery and eventual economic prosperity are likely to proceed at a pace of 1.5% to 2.5% per annum for a number of years.

Although Canada is one of the very few countries to recover virtually all of its production output and job losses after the recession, the economy slowed in the third quarter of 2010, with annualized growth dropping to 1.0%. The slowing pace of growth is expected to be short lived with the economy forecast to accelerate in the fourth quarter and throughout 2011, though at a somewhat slower pace than previously expected.

With central banks pledging to do whatever is necessary to keep the global recovery on track, interest rates will remain low, thereby supporting business and consumer spending until confidence is restored. At its October and December meetings in 2010, the Bank of Canada suspended further increases to its policy rate, as it revised its 2011 growth projections downwards to 2.3%. The combination of disappointing growth and below-target core inflation will likely keep Canada’s central bank on the sidelines in the first quarter of 2011. It will provide the Bank with the opportunity to assess the need for higher interest rates in the context of both domestic and international developments.

Together, the low interest rate environment, substantial corporate profit recovery and improved access to financing, provide support to a positive outlook for Canadian businesses. At the same time, the unemployment rate is expected to decline to 7.3% by the end of 2011 from 8.0% currently. Further, core inflation has been remarkably stable during the economic downturn and subsequent recovery. Economists are now looking to business investments and exports, rather than household expenditures and governments to drive Canada’s growth during this recovery.

Our portfolio managers believe that longer-term yields will remain low. Contained inflation, high excess capacity, demographic trends, investor caution and the current demand for longer-term assets support this viewpoint. Until consumers and governments deal with their debt loads, the yield curve will remain flat.

Looking beyond 2010, the expectation exists that Canada’s economy will return to a faster growth track in the quarters ahead and that the U.S. economy will be able to sustain upward momentum. With core inflation projected below its 2% target, the Bank of Canada will likely be in a position to resume gradually raising its key policy interest rates to 2.0% by the end of 2011.

We are confident that our investment strategy based on our conservative management approach will continue to provide value over the long-term horizon of our plans. Our goal as always is to provide safety of principal and deliver anticipated long-term returns for our contributors and beneficiaries.

Investment Fund Manager Registration

In accordance with the National Instrument 31-103 – Registration Requirements and Exemptions issued by the Canadian Securities Administrators, the Board of the Canadian Scholarship Trust Foundation (“Foundation”) approved the registration of C.S.T. Consultants Inc. (“CSTC”) as the Plan’s Investment Fund Manager (“IFM”) effective September 28, 2010. As the IFM, CSTC directs the business, operations and affairs of the Plan and is responsible for its management and administration. The Foundation retains its role as the sponsor of the Plans and has general oversight of the various service providers.

Future Accounting Standards

In February 2008 the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In September 2010, the Canadian Institute of Chartered Accountants (“CICA”) extended the deadline for adoption of IFRS by certain qualifying investment funds by one year. Therefore, IFRS will replace Canadian GAAP and become effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2013 with comparatives. We are taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS standards;
- Identification of operational areas impacted by the adoption of IFRS;
- Identification of major differences between current accounting policies and IFRS standards;
- Assessment of current reporting systems and their readiness for IFRS implementation; and
- Implementation of an IFRS transition plan

Financial and Operating Highlights (with comparative figures)

The following table shows key financial data for the Plan and is intended to help you understand the financial results for the past five fiscal years ended October 31.

(\$ thousands)	2010	2009	2008	2007	2006
Statement of Net Assets					
Total Assets	\$ 312,465	\$ 358,773	\$ 421,379	\$ 494,200	\$ 538,930
Net Assets	182,787	197,004	217,999	257,540	266,243
% Change of Net Assets	-7.2%	-9.6%	-15.4%	-3.3%	1.7%
Statement of Investment Operations					
Net Investment Income	\$ 12,173	\$ 30,712	\$ 16,462	\$ 15,053	\$ 16,623
Statement of Changes in Net Assets					
Education assistance payments	\$ (27,060)	\$ (32,136)	\$ (28,715)	\$ (24,601)	\$ (20,593)
Net Government Grants Received, Net of Payments	(1,959)	(1,578)	(475)	1,135	7
Other					
Total number of units	184,257	205,153	222,512	236,700	248,613
% Change in the total number of units	-10.2%	-7.8%	-6.0%	-4.8%	-3.6%

Management Fees

Administration Fees

An administration fee of \$1,398 thousand comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation, the sponsor and administrator of the Plan, in accordance with contributors' Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government Grants, plan modifications, terminations, maturities and Education Assistance Payments (EAP). The annual administration fee is calculated as ½ of 1% of the total amount of Principal, Government Grants and income in the contributors' accounts, which is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan's Investment Fund Manager and scholarship plan dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

Portfolio Management Fees

The Plan's annual investment management fee is 0.13% of the weighted average monthly net assets and is weighted based on all investment managers including Addenda Capital Inc., Greystone Managed Investments Inc. and TD Asset Management Inc.

The Plan retains the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone"). As at October 31, 2010, two directors of the Foundation were members of the Board of Greystone, of which one director was the beneficial owner of 0.32% (2009 – 0.95%) of Greystone's equity. The directors do not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, nor do they vote on any resolutions recommended by the Investment Committee of the Foundation. The portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone of \$93 (2009 – \$97) thousand.

Trustee and Custodian Fees

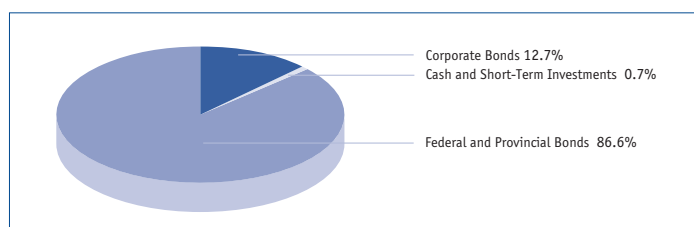
The Plan pays trustee and custodian fees to RBC Dexia Investor Services Trust to settle all investment trades and disburse fees, Education Assistance Payments and other amounts in accordance with the terms of the Plan Agreement. For 2010 these fees charged to the Plan amounted to \$66 thousand.

Summary of Plan Investment Portfolio

The Plan’s assets are comprised of the principal and accumulated investment income on all education savings plan agreements that have not reached their maturity date. The income earned on the Plan’s assets is the main component in determining the value of Education Assistance Payments (EAPs) to be paid to our beneficiaries. As a result, the Plan’s investment portfolio does not include the allocation of assets from the Government Grants and Canadian Scholarship Pool belonging to this Plan.

The following chart illustrates the Plan’s assets by appropriate investment categories.

Asset Mix (as at October 31, 2010)



The following table details the top 25 long positions in the Plan. The Plan is prohibited from holding short positions in securities.

Issuer			Fair Value (\$)	% of Plan Portfolio Assets
Government of Canada	1.25%	1 Dec 2011	18,572	6.1%
Government of Canada	5.75%	1 Jun 2033	12,258	4.1%
Canada Housing Trust	4.00%	15 Jun 2012	11,467	3.8%
Canada Housing Trust	4.55%	15 Dec 2012	8,335	2.8%
Canada Housing Trust	4.60%	15 Sep 2011	8,036	2.7%
Canada Housing Trust	3.15%	15 Jun 2015	7,823	2.6%
Province of British Columbia	5.75%	9 Jan 2012	6,467	2.1%
Province of Ontario	5.85%	8 Mar 2033	6,388	2.1%
Province of Ontario	4.20%	2 Jun 2020	5,447	1.8%
Province of Ontario	5.60%	2 Jun 2035	5,374	1.8%
Canada Housing Trust	3.95%	15 Jun 2013	5,292	1.8%
Province of Quebec	0.73%	1 Dec 2014	4,657	1.5%
Province of British Columbia	4.25%	18 Jun 2014	4,595	1.5%
Province of New Brunswick	4.45%	26 Mar 2018	4,551	1.5%
Province of Quebec	4.50%	1 Dec 2020	4,451	1.5%
Province of Ontario	8.10%	8 Sep 2023	3,578	1.2%
Province of Ontario	4.40%	8 Mar 2016	3,562	1.2%
Canada Housing Trust	1.43%	15 Mar 2015	3,464	1.1%
Canada Housing Trust	0.81%	15 Jun 2013	3,288	1.1%
Canada Housing Trust	4.10%	15 Dec 2018	3,273	1.1%
Government of Canada	3.50%	1 Jun 2020	2,879	1.0%
GE Capital Canada	4.38%	28 Sep 2012	2,754	0.9%
Alberta Capital Finance	4.45%	15 Dec 2025	2,626	0.9%
RBC Capital Trust	5.81%	31 Dec 2053	2,343	0.8%
Government of Canada	5.00%	1 Jun 2037	2,333	0.8%

Top long positions as a percentage of Plan portfolio assets 47.6%

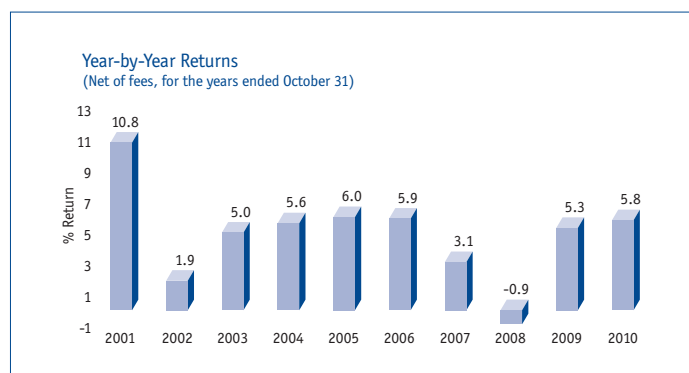
Past Performance

Our investment philosophy has always been to safeguard our contributors’ investments while providing stable and consistent returns. The Foundation’s investment strategy is expected to return consistent and strong financial performance and provide the capability to deliver long-term sustainable EAP values to our beneficiaries in the future.

Past performance of the Plan is set out in the following chart and the annual compound returns table and is based on the growth in assets over the term of the plan to maturity. The returns presented are based on the income earned on the Plan’s investment portfolio only and do not reflect the investment income or allocation of assets from the Government Grants and Canadian Scholarship Pool. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart illustrates the Plan’s annual performance in each of the past ten years to October 31, 2010. The chart illustrates in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year:



Annual Compound Returns

The following table illustrates the Plan’s annual compounded returns, for the periods shown ended on October 31, 2010:

	Period			
	1 Year	3 Years	5 Years	10 Years
Net Plan Return	5.8	3.4	3.8	4.8
Benchmark: DEX Universe				
All Government Bond Index*	7.3	6.9	5.6	6.6

*Note: Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns.

Management’s Responsibility for Financial Reporting

The accompanying financial statements of Canadian Scholarship Trust – Founders’ Plan (the “Plan”) are prepared by management and are approved by the Board of Directors of the Canadian Scholarship Trust Foundation (the “Foundation”). Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte & Touche LLP are the external auditors of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors and Members of the Foundation their opinion on the financial statements. Their report is set out below.



Sherry J. MacDonald, CA
President and Chief Executive Officer



Jeffrey Bernstein, CA
Chief Financial Officer

Toronto, Ontario
December 21, 2010

Auditors’ Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation (the “Foundation”):

We have audited the statements of net assets available for education assistance payments of Canadian Scholarship Trust – Founders’ Plan (the “Plan”) as at October 31, 2010 and 2009 and the statements of investment operations, changes in net assets available for education assistance payments and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Plan as at October 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
December 21, 2010

Statements of Net Assets Available for Education Assistance Payments

As at October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
Assets		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 264,252	\$ 315,350
Cash and cash equivalents	13,791	10,867
Short-term investments	24,084	27,474
Accrued interest and other receivables	9,719	4,771
Receivables for securities sold	426	175
Government grants receivable	193	136
	312,465	358,773
Liabilities		
Accounts payable, accrued liabilities and unclaimed contributors’ funds	860	560
Payables for securities purchased	498	572
Contributors’ deposits <i>(Schedule II)</i>	128,320	160,637
	129,678	161,769
Net Assets Available for Education Assistance Payments	182,787	197,004
Represented by:		
Non-Discretionary Funds		
Accumulated interest held for future education assistance payments <i>(Schedule II)</i>	124,718	141,180
Government grants	32,253	35,081
Interest on Government grants	13,447	13,755
General Fund <i>(Note 6)</i>	–	364
Unrealized Gains	10,803	6,108
Discretionary Funds		
Donations from the Foundation <i>(Note 6)</i>	1,566	516
	\$ 182,787	\$ 197,004

Approved on behalf of the Board



Blair A. Corkum, CA
Director



Sherry J. MacDonald, CA
Director

Statements of Investment Operations

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
Income		
Interest income	\$ 11,440	\$ 11,961
Realized gains	2,625	20,776
	14,065	32,737
Expenses		
Plan administration and processing fees <i>(Note 3(a))</i>	915	987
Financial reporting <i>(Note 3(a))</i>	483	631
Portfolio management fees	428	338
Custodian fees	40	46
Trustee fees	26	23
	1,892	2,025
Net Investment Income	12,173	30,712
Increase (decrease) in Unrealized Gains	4,695	(12,693)
Increase in Net Assets from Investment Operations	\$ 16,868	\$ 18,019

Statements of Changes in Net Assets Available for Education Assistance Payments

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
Net Assets Available for Education Assistance Payments, Beginning of Year	\$ 197,004	\$ 217,999
Increase in Net Assets from Investment Operations	16,868	18,019
Transfers from (to) internal and external plans	115	(3,395)
	16,983	14,624
Receipts		
Government grants received (net of repayments)	1,348	1,439
Disbursements		
Payments to beneficiaries		
Education assistance payments <i>(Schedule III)</i>	(27,060)	(32,136)
Government grants	(3,307)	(3,017)
Return of interest	(2,181)	(1,905)
	(32,548)	(37,058)
Receipts less Disbursements	(31,200)	(35,619)
Decrease in Net Assets Available for Education Assistance Payments	(14,217)	(20,995)
Net Assets Available for Education Assistance Payments, End of Year	\$ 182,787	\$ 197,004

Statements of Cash Flows

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
Operating Activities		
Increase in Net Assets from Investment Operations	\$ 16,868	\$ 18,019
Net proceeds from disposal of investments	61,483	61,897
Items not affecting cash		
Realized gains on sale of investments	(2,625)	(20,776)
(Increase) decrease in Unrealized Gains	(4,695)	12,693
Change in non-cash operating working capital		
Increase in Accrued interest and other receivables	(4,948)	(1,474)
(Increase) decrease in Government grants receivable	(57)	17
Increase (decrease) in Accounts payable, accrued liabilities and unclaimed contributors’ funds	300	(697)
Cash flow from Operating Activities	66,326	69,679
Financing Activities		
Transfers from (to) internal and external plans	115	(3,395)
Government grants received (net of repayments)	1,348	1,439
Decrease in Contributors’ deposits <i>(Schedule II)</i>	(32,317)	(36,965)
Payments to beneficiaries	(32,548)	(37,058)
Cash flow from Financing Activities	(63,402)	(75,979)
Net increase (decrease) in Cash and cash equivalents	2,924	(6,300)
Cash and cash equivalents, Beginning of Year	10,867	17,167
Cash and cash equivalents, End of Year	\$ 13,791	\$ 10,867

The accompanying notes are an integral part of these financial statements.

Schedule I – Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 48.8%			
Government of Canada			
1.25% 1 Jun 2011	1,195	1,196	1,199
1.00 1 Sep 2011	710	709	706
1.25 1 Dec 2011	18,565	18,572	18,515
5.00 1 Jun 2014	105	117	111
1.23 15 Sep 2014	390	394	393
4.25 1 Jun 2018	410	460	464
3.50 1 Jun 2020	2,722	2,879	2,821
8.00 1 Jun 2027	825	1,321	1,098
5.75 1 Jun 2029	863	1,148	1,088
5.75 1 Jun 2033	9,010	12,258	9,844
5.00 1 Jun 2037	1,838	2,333	2,199
4.00 1 Jun 2041	597	666	600
Business Development Bank of Canada			
4.75 26 Jul 2021	425	480	424
Canada Housing Trust			
4.60 15 Sep 2011	7,809	8,036	8,138
4.00 15 Jun 2012	11,023	11,467	11,410
4.80 15 Jun 2012	1,160	1,222	1,160
4.55 15 Dec 2012	7,850	8,335	8,100
3.95 15 Jun 2013	5,000	5,292	4,992
0.81 15 Jun 2013	3,295	3,288	3,270
2.75 15 Dec 2014	1,362	1,403	1,357
1.43 15 Mar 2015	3,456	3,464	3,462
3.15 15 Jun 2015	7,478	7,823	7,468
4.10 15 Dec 2018	3,000	3,273	3,035
3.75 15 Mar 2020	667	705	670
Canada Post			
4.08 16 Jul 2025	500	529	500
4.36 16 Jul 2040	309	332	309
Farm Credit Corporation			
4.55 12 Apr 2021	820	915	814
Ontario Infrastructure			
3.95 3 Jun 2013	236	248	236
4.70 1 Jun 2037	207	207	205
		99,072	94,588
Municipal and Provincial – 37.8%			
55 School Board Trust Series A Secured Debenture			
5.90 2 Jun 2033	125	145	127
Alberta Capital Finance			
4.45 15 Dec 2025	2,489	2,626	2,399
Province of British Columbia			
5.75 9 Jan 2012	6,150	6,467	6,769
4.25 18 Jun 2014	4,250	4,595	4,545
5.60 1 Jun 2018	700	820	769
3.70 18 Dec 2020	660	674	661
8.75 19 Aug 2022	139	206	202

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Municipal and Provincial – 37.8% (continued)			
Province of British Columbia (continued)			
5.70% 18 Jun 2029	1,415	1,718	1,573
4.70 18 Jun 2037	225	244	227
4.95 18 Jun 2040	220	250	231
4.30 18 Jun 2042	236	243	234
Province of Manitoba			
4.75 11 Feb 2020	633	699	638
4.15 3 Jun 2020	162	171	172
4.60 5 Mar 2038	229	244	244
Province of New Brunswick			
4.45 26 Mar 2018	4,160	4,551	4,476
4.50 2 Jun 2020	188	203	194
4.55 26 Mar 2037	377	391	367
Province of Newfoundland			
4.50 17 Apr 2037	155	161	149
Province of Nova Scotia			
5.80 1 Jun 2033	1,213	1,475	1,215
4.70 1 Jun 2041	184	197	197
Province of Ontario			
4.50 8 Mar 2015	1,175	1,287	1,227
4.40 8 Mar 2016	3,248	3,562	3,220
4.30 8 Mar 2017	270	294	258
4.40 2 Jun 2019	1,025	1,106	1,034
4.20 2 Jun 2020	5,162	5,447	5,253
8.10 8 Sep 2023	2,500	3,578	3,167
6.20 2 Jun 2031	815	1,040	994
5.85 8 Mar 2033	5,175	6,388	5,361
5.60 2 Jun 2035	4,455	5,374	5,131
4.70 2 Jun 2037	315	338	314
4.65 2 Jun 2041	980	1,056	1,024
Province of Quebec			
0.41 16 Sep 2013	2,200	2,190	2,207
0.73 1 Dec 2014	4,720	4,657	4,720
4.50 1 Dec 2016	190	209	199
4.50 1 Dec 2019	780	844	782
11.00 15 Aug 2020	437	702	691
4.50 1 Dec 2020	4,145	4,451	4,355
6.00 1 Oct 2029	735	906	882
5.75 1 Dec 2036	1,870	2,279	1,998
5.00 1 Dec 2038	290	322	291
5.00 1 Dec 2041	875	981	952
Province of Saskatchewan			
5.25 3 Jun 2014	1,500	1,673	1,529
4.65 5 Sep 2017	249	278	256
3.90 28 Jul 2020	200	209	199
6.40 5 Sep 2031	875	1,157	1,034
4.75 1 Jun 2040	225	249	225
		76,657	72,692

The accompanying notes are an integral part of these financial statements.

Schedule I – Statement of Investment Portfolio (continued)

As at October 31, 2010 (in thousands of dollars)

Security		Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security		Par Value (\$)	Fair Value (\$)	Average Cost (\$)		
Bonds (continued)					Bonds (continued)						
Corporate – 12.7%					Corporate – 12.7%						
Bank of Montreal					Real Estate Asset Liquidity Series Class A						
4.63%	29 Dec 2049	500	530	500	4.62%	12 Sep 2016	440	457	440		
6.65	31 Dec 2049	1,564	1,576	1,595	5.08	12 Oct 2036	355	375	355		
5.47	31 Dec 2049	960	1,046	970	Royal Office Finance						
Bank of Nova Scotia					5.21	12 Nov 2032	664	722	662		
7.31	31 Dec 2010	1,500	1,512	1,575	Sun Life Capital Trust						
6.63	30 Jun 2012	950	1,014	1,004	6.87	31 Dec 2011	1,900	1,993	1,991		
Canadian Imperial Bank of Commerce					Toronto Community Housing Corporation						
5.00	10 Sep 2012	900	951	898	4.88	11 May 2037	91	92	91		
3.10	2 Mar 2015	1,000	1,025	998	5.40	22 Feb 2040	271	296	271		
European Investment Bank					Transcanada Pipelines						
4.60	30 Jan 2037	1,920	1,929	1,919	5.65	15 Jan 2014	200	219	199		
GE Capital Canada									25,745	24,915	
4.38	28 Sep 2012	2,650	2,754	2,647	Plan Investments – 99.3%				201,474	192,195	
Manulife Financial Capital Trust					Plan Cash and Short-term Investments – 0.7%				1,392	1,392	
4.85	12 Dec 2015	615	634	615	Plan Portfolio Assets – 100.0%				202,866	193,587	
6.70	31 Dec 2051	1,430	1,511	1,493	Investments Allocation (Note 4)						
7.41	31 Dec 2108	990	1,084	990	Government Grants (Appendix I)					44,871	43,369
Merrill Lynch Financial Assets					Canadian Scholarship Trust Scholarship Pool (Appendix II)					17,907	17,885
4.82	12 Feb 2015	830	857	863	Cash and Short-term Investments (Appendices I & II)					36,483	36,483
4.62	12 Nov 2015	250	258	250	Total Investment Fund					302,127	291,324
4.48	12 Jul 2037	350	357	350	Represented by :						
Ontrea Inc.					Investments, at fair value					264,252	
5.57	9 Apr 2013	321	348	341	Cash and cash equivalents					13,791	
PSP Capital Inc.					Short-term Investments					24,084	
4.57	9 Dec 2013	984	1,056	998						302,127	
RBC Capital Trust											
4.87	29 Dec 2049	750	806	750							
5.81	31 Dec 2053	2,150	2,343	2,150							

Schedule II – Contributors’ Deposits and Accumulated Interest

As at October 31, 2010 and 2009 (in thousands of dollars)

The following is a summary of education savings Founders’ Plan units by year of eligibility.

Year of Eligibility	Opening Units	Inflow Units ¹	Outflow Units ²	Closing Units	Contributors’ Deposits	Accumulated Interest ³
2009 and prior to 2009	69,767	122	17,274	52,615	\$ 5,640	\$ 22,344
2010	29,521	4,538	8,493	25,566	5,249	21,227
2011	25,557	17,452	16,833	26,176	16,649	26,781
2012	20,910	166	237	20,839	30,354	18,402
2013	18,875	55	96	18,834	25,416	14,127
2014	15,829	31	156	15,704	19,360	10,097
2015	11,434	17	89	11,362	12,688	6,237
2016	6,771	29	56	6,744	6,924	3,131
2017	4,011	16	73	3,954	3,814	1,558
2018	2,285	1	37	2,249	2,049	746
2019	186	17	–	203	172	64
2020	5	–	–	5	2	1
2021 and thereafter	2	4	–	6	3	3
TOTAL	205,153	22,448	43,344	184,257	\$ 128,320	\$ 124,718

1 Inflow units are comprised of additional units and transfers in.

2 Outflow units are comprised of maturities, terminations and education assistance payments.

3 Accumulated interest represents both interest allocated to contributors’ accounts and interest held for future education assistance payments.

The changes in Contributors’ deposits are as follows:

	2010	2009
Payments from contributors	\$ 6,592	\$ 8,663
Inter-Plan principal transfers	(6,510)	(6,154)
Account maintenance fees	(171)	(216)
Return of principal	(32,228)	(39,258)
Net decrease in Contributors’ deposits	(32,317)	(36,965)
Balance, Beginning of Year	160,637	197,602
Balance, End of Year	\$ 128,320	\$ 160,637

Schedule III – Education Assistance Payments

As at October 31, 2010 and 2009 (in thousands of dollars, except for per unit amounts)

The following charts indicate the number of eligible units paid, the education assistance payment amount by year of eligibility and the total dollar payments.

Education Assistance Payments	2010	2009	Education Assistance Payments	2010	2009
Current year payments	\$ 16,533	\$22,031	Non-Discretionary	\$ 24,224	\$ 32,136
Deferred payments	10,462	9,930	Discretionary	2,836	–
Advance payments	65	175		\$ 27,060	\$ 32,136
	\$ 27,060	\$32,136			

	Number of education assistance payment units			Amount of education assistance payment per unit		
	Year of Eligibility			Year of Eligibility		
	2010	2009	2008	2010	2009	2008
First	15,228.2	15,692.8	15,115.5	\$ 400	\$ 625	\$ 675
Second		12,160.9	12,078.9		469	625
Third			9,982.5			475

Notes to the Financial Statements

October 31, 2010 and 2009 (in thousands of dollars)

Note 1. Nature of Operations

The Canadian Scholarship Trust Founders’ Plan (“Founders’ Plan” or the “Plan”) is a Pooled Education Savings Plan, established on September 1, 1988. The objective of Founders’ Plan is to assist parents and others to save for the post-secondary education of children.

Deposits are made by a contributor to an account maintained by the depository trustee on behalf of a beneficiary. The contributor authorizes deductions of enrolment fees from deposits and account maintenance fees from their principal deposit balance. The principal accumulated over the term of the education savings plan agreement is returned to the contributor when:

- the plan matures and the beneficiary is a qualified student eligible to receive the first education assistance payment,
- the plan matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all Government grants (as defined below), or
- upon termination.

The investment income earned on such principal deposits until maturity is used to provide education assistance payments to qualified students. A beneficiary is deemed to be a qualified student upon receipt by the Canadian Scholarship Trust Foundation (the “Foundation”) of evidence of enrolment in a qualifying educational program at an eligible institution.

The Canada Education Savings Grant Program (“CESG”) is a grant from the Federal Government whereby Registered Education Savings Plans (“RESPs”) receive grant amounts dependent on family income. Any child born in the province of Alberta on or after January 1, 2005 may be eligible for the initial Alberta Centennial Education Savings Grant (“ACES”). Subsequent grants may be paid to all children attending school in Alberta at certain eligible ages.

On February 21, 2007, the Québec government introduced the Québec Education Savings Incentive (“QESI”) for beneficiaries who are under eighteen years of age and reside in Québec on December 31 of each year. The amount of the QESI to be received by a beneficiary will depend on annual family income.

The Founders’ Plan receives the CESG, ACES and QESI (collectively, “Government grants”) which are paid directly into a beneficiary’s RESP and invests these funds in accordance with the Plan’s investment policies. The Government grants along with investment income earned thereon are paid to qualified students.

Contributor education savings plan contracts (“agreements”) are registered, if all required information is provided, with appropriate government authorities and, once registered, are subject to the rules for RESPs under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on contributors’ deposits is not taxable income of the contributor. The deposits are not deductible for income tax purposes and are not taxable when returned to the contributor. Payments made to a qualified student will constitute taxable income of that student in the year that the payments are made.

The Founders’ Plan is administered through the Foundation and its wholly-owned subsidiary, C.S.T. Consultants Inc. (“C.S.T.C.”). The Foundation was created to encourage and promote post-secondary education by making education savings plans available to Canadian residents.

Note 2. Significant Accounting Policies

(a) Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

(b) Future accounting standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In September 2010, the Canadian Institute of Chartered Accountants (“CICA”) amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date by one year. Therefore, IFRS will replace Canadian GAAP and becomes effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2013. Management is in the process of developing a transition plan, which will include identifying differences between the Plan’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the financial statements of the Plan.

(c) Investment valuation

Investments, at fair value include the following types of securities: bonds and variable rate securities.

Bonds are valued using bid prices at year end. In the event that quoted market prices are not available, the fair values are estimated using present value or other valuation techniques.

Variable rate securities are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return profile of the security. Included in this class are structured notes that are debt instruments whose returns are based on indices or underlying assets rather than typical interest payments. Variable rate securities are carried at fair values using external pricing models to value their components.

Note 7 provides further guidance on fair value measurements.

(d) Investment transactions and income recognition

Investment transactions are accounted on a trade-date basis. Interest income on investments is recognized using the effective interest method. Realized gains (losses) on the sale of investments and change in unrealized gains (losses) on investments are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

(e) Contributors’ deposits and Account maintenance fees

Contributors’ deposits reflect amounts received from contributors net of enrolment fees and account maintenance fees and do not include future amounts receivable on outstanding agreements. Account maintenance fees are paid annually to the Foundation by contributors of the Founders’ Plan from their contributors’ deposits. These charges are accrued throughout the year.

Notes to the Financial Statements (continued)

October 31, 2010 and 2009 (in thousands of dollars)

Note 2. Significant Accounting Policies (continued)

(f) Income taxes

The Founders' Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

(g) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a purchase date to maturity of 90 days or less.

(h) Use of estimates

In preparing the financial statements, management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the current estimates. Significant estimates included in these financial statements relate to valuation of Level 3 financial instruments as discussed in Note 7.

Note 3. Related Party Transactions

(a) Administration of the Founders' Plan

The Foundation has appointed its wholly-owned subsidiary, C.S.T.C., to administer the Founders' Plan. Account maintenance fees and administration fees (comprising Plan administration and processing fees and Financial reporting expenses) are paid to the Foundation. Administration fees are annual fees of ½ of 1% of the total amount of principal, Government grants and income earned thereon.

(b) Other Related Party Transactions

The Foundation retains the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone"). As at October 31, 2010, two directors of the Foundation are members of the Board of Greystone. Total ownership of Greystone equity held by the directors is 0.32% (2009 – 0.95%). The directors do not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, nor do they vote on any resolutions recommended by the Investment Committee of the Foundation.

The Portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone of \$93 (2009 – \$97). Included in Accounts payable, accrued liabilities and unclaimed contributors' funds in the Statements of Net Assets Available for Education Assistance Payments are the accrued amounts owing to Greystone as at October 31, 2010 of \$30 (2009 – \$33).

All related party transactions are measured at the exchange amount.

Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio and the related Appendices I and II to the schedules, which are explained below.

The Government grants received from Human Resources and Skills Development Canada are collectively invested together with other C.S.T.C. administered plans. The principal and income received are separately tracked for each contributor's agreement. The portfolio holdings are allocated across all plans based on the proportion of principal and income attributable to agreements within each plan. The Government grant allocation across the plans is provided in Appendix I to Schedule I.

Upon maturity of each agreement, the investment income accumulated to date attributable to that agreement is transferred to the Canadian Scholarship Trust Scholarship Pool (the "Pool"), a shared investment pool with Plan II, another plan administered by C.S.T.C. (see Appendix II to Schedule I). From a contributor's perspective, the income that is transferred is tracked by plan and by year of eligibility. The portfolio holdings of the Pool are allocated based on the Plan's proportionate share of income remaining in the Pool. Income earned on the Pool is credited to the General Fund (Note 6).

Note 5. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio within the constraints of the investment policy.

(a) Market risk

i. Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

Notes to the Financial Statements (continued)

October 31, 2010 and 2009 (in thousands of dollars)

Note 5. Risks Associated with Financial Instruments (continued)

(a) Market risk (continued)

i. Interest rate risk (continued)

As at October 31, the Plan's holdings of debt instruments by maturity is as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	2010	2009
Less than 1 year (including short-term investments)	19%	25%
1-3 years	28%	22%
3-5 years	12%	14%
Greater than 5 years	41%	39%
Total debt instruments	100%	100%

As at October 31, 2010, if prevailing interest rates had increased or decreased by 1%, the Total Investment Fund amount of \$302,127 (2009 – \$353,691) as per Schedule I – Statement of Investment Portfolio – would have decreased or increased by \$16,697 (2009 – \$16,677). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, the actual trading results may differ materially.

ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment affect other price risk. The asset class that is most impacted by other price risk is variable rate securities, which represents 1% (2009 – 9%) of the Total Investment Fund amount as at October 31, 2010. The risk is managed by security selection and active management by external managers within approved investment policies and manager mandates.

As at October 31, 2010, if underlying indices prices had increased or decreased by 1%, with all other variables held constant, the Total Investment Fund amount as per the Statement of Investment Portfolio would have increased or decreased by approximately \$19 (2009 – \$327). In practice, the actual trading results may differ materially.

(b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio comprises bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by the Canadian Securities Administrators, currently A-low. Founders' Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

As of October 31, the Plan's credit risk exposure is listed below.

Credit rating	2010		2009	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA/AAH/AAL	65%	\$ 196,974	59%	\$ 208,344
AA/AH/AL	16%	49,394	25%	87,769
A	6%	17,347	5%	18,568
R-1	13%	38,484	10%	36,535
Short-term unrated	0%	(72)	1%	2,475
Total Investment Fund	100%	\$ 302,127	100%	\$ 353,691

The Dominion Bond Rating Service ("DBRS") was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's and Moody's.

(c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its obligations on time. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and payments of Education Assistance Payments. The Plan primarily invests in securities that are traded in the active markets and can be readily disposed. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models incorporating aging of Accumulated interest and Contributors' deposits (see Schedule II). All other financial liabilities are short term and due within one year.

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan is not exposed to currency risk as it only holds Canadian securities.

Note 6. General Fund and Donations from the Foundation

The Canadian Scholarship Trust (the "Canadian Trust") is a legal trust registered with Canada Revenue Agency as an Education Savings Plan. Included in the Canadian Trust are Plan I, Plan II and Founders' Plan (the "Plans"). According to the trust indenture, the General Fund may be used to subsidize Education Assistance Payments for qualified students to any of the Plans within the Canadian Trust.

The General Fund derives its income from the following sources:

- interest earned on Contributors' deposits and Accumulated interest from the date of maturity to the date the funds are paid to qualified students as Education Assistance Payments;
- interest earned on the interest forfeited when a contributor's plan is terminated prior to maturity;
- income not collected by beneficiaries before the expiry of benefit period; and
- unclaimed principal and income payments.

Notes to the Financial Statements (continued)

October 31, 2010 and 2009 (in thousands of dollars)

Note 6. General Fund and Donations from the Foundation (continued)

Receipts and Disbursements of the General Fund for the years ended October 31, 2010 and 2009, are as follows:

	2010	2009
Receipts		
Net investment income	\$ 2,526	\$ 11,545
Transfer from Plan II	1,364	-
Disbursements		
Education assistance payments	(4,254)	(11,181)
(Deficit) excess of Receipts over Disbursements	(364)	364
Balance, Beginning of Year	364	-
Balance, End of Year	\$ -	\$ 364

Donations from the Foundation represent a discretionary pool of funds shared between Plan II and Founders’ Plan. These funds are used to supplement Education Assistance Payments when the General Fund is depleted. The amount is allocated annually between the above plans according to the payout forecast in each plan.

Receipts and Disbursements in the Donations from the Foundation for the years ended October 31, 2010 and 2009, are as follows:

	2010	2009
Receipts		
Transfer from Plan II	\$ 3,886	\$ 1,250
Disbursements		
Education assistance payments	(2,836)	-
Excess of Receipts over Disbursements	1,050	1,250
Balance, Beginning of Year	516	(734)
Balance, End of Year	\$ 1,566	\$ 516

In accordance with the policy on Transferring General Fund and Donations Between Plans within the same legal trust, in 2010 management forecasted the remaining liability for Plan II. As a result of this forecast, and in order to satisfy current EAP requirements of Founders’ Plan, \$5,250 was transferred to Founders’ Plan. The forecast will be updated and reviewed annually.

Note 7. Fair Value of Financial Instruments

Investments, at fair value, Cash and cash equivalents and Short-term investments are carried at fair value. The carrying values of other financial instruments such as Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed contributors’ funds, Payables for securities purchased and Contributors’ deposits approximate their fair values as these financial instruments are short term in nature.

Fair value represents the amount at which a financial instrument could be exchanged in an arm’s length transaction between willing parties under no compulsion to act and is best evidenced by a quoted bid price in an active market, if one exists.

The following table presents the Plan’s financial instruments carried at fair value in the statement of net assets available for educational assistance payments, classified by the fair value hierarchy set out in CICA Handbook Section 3862, *Financial Instruments – Disclosures*:

- “Level 1” financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- “Level 2” financial instruments are valued using observable inputs other than quoted prices included in Level 1; and
- “Level 3” financial instruments are valued using unobservable inputs for the asset or liability.

Assets Measured at Fair Value as of October 31, 2010				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 13,791	\$ -	\$ -	\$ 13,791
Short-term Investments	-	24,084	-	24,084
Fixed Income Securities	-	262,394	-	262,394
Variable Rate Securities	-	-	1,858	1,858
Total Investment Fund	\$ 13,791	\$ 286,478	\$ 1,858	\$ 302,127

Assets Measured at Fair Value as of October 31, 2009				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 10,867	\$ -	\$ -	\$ 10,867
Short-term Investments	-	27,474	-	27,474
Fixed Income Securities	-	282,638	-	282,638
Variable Rate Securities	-	-	32,712	32,712
Total Investment Fund	\$ 10,867	\$ 310,112	\$ 32,712	\$ 353,691

For the years ended October 31, 2010 and 2009, there were no transfers between Levels 1, 2 or 3.

The Plan’s financial instruments classified as Level 3 represent the Plan’s investment in Equity Linked Notes, which are principal protected by a major Canadian bank (DBRS rating “AA”). Equity Linked Notes are hybrid securities comprised of a bond and an option. The price of the variable rate securities are based on external pricing models provided from third party brokers. These valuations are derived from the information on similar publicly traded bonds and options using standard pricing methodology. Such techniques include assumptions related to the assessment and quantification of market, credit, liquidity and currency risks referred to in Note 5. There are no reasonable alternative assumptions.

Level 3 – Variable Rate Securities		
	2010	2009
Opening Balance	\$ 32,712	\$ 144,000
Net Sales	(30,854)	(86,402)
Decrease in Unrealized Gains/Losses	-	(24,886)
Closing Balance	\$ 1,858	\$ 32,712

Government Grants

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)				
Bonds				Bonds (continued)							
Federal – 46.6%				Municipal and Provincial – 27.2% (continued)							
Government of Canada				Province of British Columbia							
2.75%	1 Dec 2010	1,095	1,097	1,126	4.70%	1 Dec 2017	2,250	2,517	2,356		
1.25	1 Jun 2011	32,080	32,112	32,160	4.10	18 Dec 2019	3,014	3,078	3,021		
1.00	1 Sep 2011	2,080	2,077	2,067	8.75	19 Aug 2022	801	1,184	1,155		
1.25	1 Dec 2011	85,740	85,771	85,527	5.70	18 Jun 2029	7,194	8,736	7,972		
1.23	15 Sep 2014	1,554	1,571	1,566	4.95	18 Jun 2040	600	681	631		
4.00	1 Jun 2017	4,225	4,663	4,334	4.30	18 Jun 2042	962	990	956		
4.25	1 Jun 2018	750	841	848	Province of Manitoba						
3.50	1 Jun 2020	14,484	15,320	15,023	4.75	11 Feb 2020	3,226	3,564	3,216		
5.75	1 Jun 2029	4,632	6,163	5,847	4.15	3 Jun 2020	841	888	894		
5.75	1 Jun 2033	4,475	6,105	5,490	4.60	5 Mar 2038	993	1,059	1,060		
5.00	1 Jun 2037	13,284	16,864	15,607	Province of New Brunswick						
4.00	1 Jun 2041	3,012	3,358	3,041	4.45	26 Mar 2018	5,060	5,535	5,444		
Business Development Bank of Canada				4.50				2 Jun 2020	683	736	706
4.75	26 Jul 2021	175	198	175	4.55	26 Mar 2037	1,831	1,898	1,758		
Canada Housing Trust				Province of Newfoundland							
4.60	15 Sep 2011	38,697	39,823	40,269	4.50	17 Apr 2037	829	861	797		
4.00	15 Jun 2012	10,883	11,321	10,975	Province of Nova Scotia						
4.80	15 Jun 2012	2,785	2,933	2,788	5.80	1 Jun 2033	2,471	3,005	2,828		
4.55	15 Dec 2012	9,045	9,604	9,444	4.70	1 Jun 2041	795	853	852		
0.81	15 Jun 2013	3,920	3,912	3,912	Province of Ontario						
2.75	15 Sep 2014	5,400	5,562	5,444	3.25	8 Sep 2014	2,400	2,504	2,457		
2.75	15 Dec 2014	7,190	7,404	7,187	4.40	8 Mar 2016	3,282	3,599	3,471		
1.43	15 Mar 2015	17,814	17,857	17,840	4.30	8 Mar 2017	7,710	8,401	7,415		
3.15	15 Jun 2015	38,039	39,794	38,065	4.40	2 Jun 2019	3,220	3,475	3,280		
4.10	15 Dec 2018	4,400	4,800	4,497	4.20	2 Jun 2020	26,561	28,028	26,893		
3.75	15 Mar 2020	3,744	3,957	3,750	6.20	2 Jun 2031	4,079	5,207	4,951		
Canada Post				5.85				8 Mar 2033	4,000	4,938	4,705
4.08	16 Jul 2025	600	634	600	5.60	2 Jun 2035	15,885	19,164	18,135		
4.36	16 Jul 2040	1,082	1,163	1,081	4.70	2 Jun 2037	625	670	623		
Farm Credit Corporation				4.65				2 Jun 2041	1,780	1,918	1,852
4.55	12 Apr 2021	350	390	347	Province of Quebec						
Ontario Infrastructure				0.41				16 Sep 2013	3,275	3,260	3,280
3.95	3 Jun 2013	877	921	873	0.83	10 Dec 2013	2,685	2,668	2,680		
4.70	1 Jun 2037	769	769	760	0.73	1 Dec 2014	6,790	6,699	6,765		
			326,984	320,643	4.50	1 Dec 2016	500	551	524		
Municipal and Provincial – 27.2%				4.50				1 Dec 2017	1,865	2,047	1,828
55 School Board Trust Series A Secured Debenture				4.50				1 Dec 2018	2,570	2,802	2,519
5.90	2 Jun 2033	501	583	521	4.50	1 Dec 2019	775	838	792		
Alberta Capital Finance				11.00				15 Aug 2020	2,076	3,336	3,250
4.45	15 Dec 2025	3,185	3,360	3,121	4.50	1 Dec 2020	18,809	20,197	19,749		
Ottawa Hydro Holdings				6.00				1 Oct 2029	2,170	2,673	2,634
4.93	9 Feb 2015	1,453	1,586	1,518	5.75	1 Dec 2036	8,325	10,148	9,372		
					5.00	1 Dec 2038	3,160	3,505	3,163		
					5.00	1 Dec 2041	3,270	3,667	3,559		

Government Grants (continued)

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Municipal and Provincial – 27.2% (continued)			
Province of Saskatchewan			
4.65% 5 Sep 2017	1,109	1,237	1,131
3.90 28 Jul 2020	720	752	718
6.40 5 Sep 2031	4,648	6,148	5,604
4.75 1 Jun 2040	1,087	1,205	1,071
		190,751	181,227
Corporate – 21.8%			
407 International Inc.			
7.13 26 Jul 2040	2,895	3,747	3,476
Bank of Canada			
4.05 5 May 2014	130	137	133
5.02 31 Aug 2039	484	462	456
Bank of Montreal			
5.04 8 Apr 2013	3,317	3,554	3,535
6.02 2 May 2018	1,300	1,516	1,430
4.63 29 Dec 2049	2,900	3,071	2,827
5.47 31 Dec 2049	3,335	3,635	3,519
Bank of Nova Scotia			
6.63 30 Jun 2012	3,435	3,665	3,766
6.28 30 Jun 2053	1,900	2,074	2,101
BCIMC Realty Corporation			
3.38 29 Jan 2015	159	163	159
4.65 10 Feb 2015	2,095	2,250	2,161
5.65 5 Jan 2018	1,385	1,561	1,506
Bell Canada			
6.90 15 Dec 2011	2,500	2,635	2,758
Blue Water Bridge Authority			
6.41 9 Jul 2027	2,371	2,205	2,178
Canadian Capital Auto Receivables Asset Trust			
2.00 17 Jul 2016	993	990	993
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	5,460	5,945	5,514
Caterpillar Financial Services Ltd.			
5.20 3 Jun 2013	950	1,020	999
CBC			
4.69 15 May 2027	2,396	2,479	2,541
CDP Financial			
4.60 15 Jul 2020	793	843	791
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	2,053	2,060
Gaz Metropolitan Inc.			
4.93 18 Jun 2019	2,500	2,716	2,545

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 21.8% (continued)			
GE Capital Canada			
4.65% 11 Feb 2015	5,650	6,019	5,653
4.55 17 Jan 2017	800	839	750
5.53 17 Aug 2017	1,800	1,982	1,782
5.73 22 Oct 2037	2,000	2,091	1,704
Gloucester Credit Card Trust			
5.38 15 May 2014	2,176	2,365	2,277
Great West Lifeco Inc.			
6.14 21 Mar 2018	1,352	1,547	1,482
4.65 13 Aug 2020	186	190	186
Greater Toronto Airports			
5.96 20 Nov 2019	2,849	3,309	3,112
5.63 7 Jun 2040	200	220	200
Green Timbers LP			
6.83 30 Jun 2037	684	730	746
Honda Canada Finance Inc.			
5.68 26 Sep 2012	1,200	1,278	1,280
5.08 9 May 2013	83	88	88
5.61 12 Sep 2013	1,135	1,232	1,135
Hydro One Inc.			
5.49 16 Jul 2040	3,040	3,370	3,053
Investors Group Inc.			
6.75 9 May 2011	1,545	1,583	1,690
Leisureworld			
4.81 24 Nov 2015	1,616	1,679	1,674
Manulife Financial Capital Trust			
4.85 12 Dec 2015	1,865	1,922	1,880
6.70 31 Dec 2051	3,920	4,143	4,346
7.41 31 Dec 2108	1,200	1,314	1,200
Manulife Financial Corporation			
4.90 2 Jun 2014	214	224	226
5.16 26 Jun 2015	2,423	2,558	2,556
4.08 20 Aug 2015	531	536	538
7.77 8 Apr 2019	614	731	743
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	2,410	2,524	2,498
Merrill Lynch Canadian Finance Corporation			
5.00 18 Feb 2014	1,722	1,789	1,807
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	815	841	820
4.62 12 Nov 2015	1,235	1,274	1,222
4.71 12 Nov 2016	1,192	1,215	1,201
4.48 12 Jul 2037	920	938	900
Milit-Air Inc.			
5.75 30 Jun 2019	3,140	3,508	3,393

The accompanying notes are an integral part of these financial statements.

Government Grants (continued)

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 21.8% (continued)			
N-45 First CMBS			
5.67%	15 Nov 2020	1,048	1,118
National Bank of Canada			
5.55	15 Nov 2018	1,456	1,579
NAV Canada			
4.71	24 Feb 2016	2,940	3,224
OMERS Realty Corporation			
4.74	4 Jun 2018	3,585	3,869
Ontrea Inc.			
5.57	9 Apr 2013	1,670	1,811
Peoples Trust			
4.10	1 Jul 2015	2,000	1,758
Power Corporation of Canada			
7.57	22 Apr 2019	1,308	1,581
PSP Capital Inc.			
4.57	9 Dec 2013	4,396	4,720
RBC Capital Trust			
4.87	29 Dec 2049	6,000	6,446
Real Estate Asset Liquidity Series Class A			
4.62	12 Sep 2016	1,350	1,403
5.08	12 Oct 2036	745	787
Royal Bank of Canada			
5.00	20 Jan 2014	760	826
3.18	16 Mar 2015	313	322
3.55	1 Sep 2019	5,387	5,279
Royal Office Finance			
5.21	12 Nov 2032	2,236	2,430
SNC Lavalin Group			
6.63	30 Jun 2044	657	720
Sun Life Capital Trust			
6.87	31 Dec 2011	1,540	1,615
5.86	31 Dec 2108	2,000	2,099
Toronto Community Housing Corporation			
4.88	11 May 2037	283	285
5.40	22 Feb 2040	791	863
Toronto Dominion Bank			
4.85	13 Feb 2013	1,868	1,989
Transcanada Pipelines			
5.65	15 Jan 2014	4,050	4,460
8.29	5 Feb 2026	1,824	2,458
Vancouver Fraser			
4.63	20 Apr 2020	1,243	1,334

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 21.8% (continued)			
Wells Fargo Finance Canada			
4.40%	12 Dec 2012	1,400	1,459
		153,195	147,563
Total Fixed Income – 95.6%		670,930	649,433
Variable Rate Securities – 3.6%			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note			
	19 Oct 2011	5,000	5,405
	26 Oct 2012	5,000	4,997
Toronto-Dominion Bank Global Indices Linked Note			
	20 Oct 2011	15,000	14,858
		25,260	25,001
Total Fixed Income – 99.2%		696,190	674,434
Cash and Short-term Investments – 0.8%		4,977	4,977
Total Portfolio Assets – 100.0%		701,167	679,411
Government Grant Investments Allocation			
Plan II		472	421
Founders’ Plan		44,871	43,369
Group Savings Plan		201,185	194,748
Group Savings Plan 2001		406,303	393,612
Family Savings Plan		40,424	39,395
Individual Savings Plan		2,935	2,889
		696,190	674,434
Cash and Short-term Investments Allocation			
Plan II		10	10
Founders’ Plan		307	307
Group Savings Plan		1,319	1,319
Group Savings Plan 2001		3,100	3,100
Family Savings Plan		229	229
Individual Savings Plan		12	12
		4,977	4,977

Canadian Scholarship Trust Scholarship Pool

(Appendix II to Schedule I)

Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 15.3%			
Government of Canada			
1.25% 1 Jun 2011	140	140	140
1.00 1 Sep 2011	1,580	1,578	1,575
3.75 1 Jun 2012	1,355	1,406	1,422
3.50 1 Jun 2013	2,120	2,227	2,224
3.75 1 Jun 2019	1,180	1,276	1,241
Canada Housing Trust			
4.60 15 Sep 2011	1,445	1,487	1,522
4.80 15 Jun 2012	1,565	1,648	1,668
4.10 15 Dec 2018	210	229	214
3.75 15 Mar 2020	465	491	460
		10,482	10,466
Provincial -15.3%			
Province of British Columbia			
5.75 9 Jan 2012	2,050	2,156	2,171
4.65 18 Dec 2018	285	317	295
Province of Ontario			
4.40 2 Dec 2011	1,430	1,477	1,510
5.38 2 Dec 2012	1,330	1,432	1,441
4.75 2 Jun 2013	1,445	1,554	1,547
Province of Quebec			
6.00 1 Oct 2012	1,760	1,906	1,929
5.50 1 Dec 2014	940	1,063	1,041
4.50 1 Dec 2020	505	542	505
		10,447	10,439
Total Investments – 30.6%		20,929	20,905
Cash and Short-term Investments – 69.4%		47,550	47,550
Total Portfolio Assets – 100.0%		68,479	68,455
Total Investments Allocation			
Plan II		3,022	3,020
Founders' Plan		17,907	17,885
		20,929	20,905
Cash and Short-term Investments Allocation			
Plan II		11,374	11,374
Founders' Plan		36,176	36,176
		47,550	47,550

The accompanying notes are an integral part of these financial statements.

Canadian Scholarship Trust Plan

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Canadian Scholarship Trust Foundation



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