BLUE WATER BRIDGE CANADA

2010-2011 to 2014-2015
Corporate Plan Summary
Summary of Operating Budget
Summary of Capital Budget

PONT BLUE WATER BRIDGE CANADA

Canada

EXECUTIVE OVERVIEW

There is a definite uniqueness to the business of Blue Water Bridge Canada (BWBC):

- Not only are we situated in the middle of the manufacturing heartland of Canada and the United States – Ontario and Michigan, Sarnia and Port Huron respectively; ***but***
- We own only two halves of two bridge spans – BWBC sharing with the Michigan Department of Transportation (MDOT), unlike any other border crossing; ***plus***
- We have been directly and heavily affected by possibly the single-most riveting historical event since Pearl Harbour – 9/11; ***active in***
- The mitigation and resolution of cross-border security, efficiency and safety issues by coordinating and/or meeting with various local, provincial, state and national businesses and government organizations and agencies on both sides of the border; ***experienced in***
- The transition from a local, federally legislated authority to a more transparent and accountable parent Crown Corporation (2002); ***first in line to***
- Experience, identify and react to a slowdown and recession in the economy long before others preferred to publicly admit; ***proactive in***
- Addressing the importance of increasing productivity and reducing costs long before being federally directed.

During the period between 2002 and 2006 BWBC transitioned, adjusted and reacted to the federal requirements and expectations of becoming a parent Crown corporation. Since 2006, we have undergone an evolution or, more appropriately, a revolution within BWBC in how we think and do business. We have repeatedly questioned ourselves and all of our processes and significantly reduced our overhead while improving our productivity.

On the business side of things we have become more customer service focused and have increased our marketing skills. On the managerial side we have changed our organizational structure and allowed the managers the freedom to creatively manage. On the employee side we continue to review and improve the human resource policies and procedures to ensure the application of the policies reflect the true intent of those policies, particularly with the salary and benefits administration and Mutual Respect in the Workplace.

Credit should be given to the Office of the Auditor General and the impetus experienced from the guidance provided by the Special Examination completed in fiscal 2008. It guided and gave the initial support to the Board of Directors as they transitioned themselves into one that has become strategically involved, focused and that holds management accountable. That strategic direction flowed directly through to the Mission, Vision and Values statements to the management team and the measurable actions taken throughout the organization.

Knowing our history and being aware of how we have evolved, we are looking forward to experiencing the "fruits of our labour" within the coming year. By December 2010, the centerpiece and cornerstone of our capital master plan – the $67 million CBA Complex Building – will be substantially completed. This building will fulfill and house the most up-to-date Standard of Requirements (SOR) of the Canadian Border Services Agency (CBSA), the commercial brokers and accommodate the administration of BWBC. Once completed and operational, this will allow us to demolish the old building and begin the process of widening the plaza, adding seven additional primary inspection customs booths. It will also begin the process of redeveloping the plaza into a preferred place of travel-through destination for both trucks and car travelers with its increased capacity and improved customer service facilities.

The Federal Infrastructure Program (FIP) resulted in the expediting of eight construction components under one project worth $20 million for which BWBC will receive up to $10.0 million. This program will improve the safety and efficiency of the bridge spans and plaza. Combined with the CBA Complex Building project, this “extreme makeover” has accelerated our ability to be well-positioned with its excess capacity to take advantage of the expected increase in traffic once the Michigan-side completes their $586 million building project. The construction on the U.S. side is expected to commence by 2012.

It is important for us to be a responsible and respected corporate citizen of Point Edward, Sarnia and the County of Lambton. We are driven to be very cooperative and open with the municipal, provincial, state and federal departments and agencies. We have been and will continue to be very accepting of the advice, guidance and recommendations received from the Office of the Auditor General and the consulting chartered accounting firms.

More than just giving lip-service to the words continuous improvement, BWBC is continually looking for better ways to do things. We have just recently completed a procurement (Request for Proposal) process for a financial institution and an internal auditor. We are transitioning to new partners for both disciplines and are looking to use this opportunity to “springboard” toward modernizing more of our accounting processes and improving corporate and board governance.

We have completed formal strategic plans for Government Relations, Customer Service Marketing and Community Relations. We have provided a summary of these programs in this corporate plan document and will provide the detailed, full reports upon request so that Transport Canada and other agencies will be fully aware of our environment and the intent and purpose of our efforts.

During the most recent annual Board strategic retreat, a number of significant opportunities and challenges were identified for the years ahead which are being addressed by management:

Opportunities	Challenges
➢ Increase traffic volumes	➢ **Monitoring infrastructure finances**
➢ Implement new technology to improve customer experience (ie. NEXUS, transponders)	➢ **Ensuring adequate resources (HR, finance) to accomplish our aggressive list of projects**
➢ Establish an effective program audit process	➢ **Meeting our infrastructure development commitments (project targets, monetary obligations)**
➢ Increase on-plaza services	➢ **Attracting traffic (why Windsor vs. Sarnia?)**
➢ **Establish suitable performance metrics to properly monitor activities**	➢ **Hwy 402 construction and negative impact on bridge traffic volumes**

While the production of the Corporate Plan is a mandatory requirement of the *Financial Administration Act*, we prefer to view it as a valuable opportunity and mechanism to hold a direct conversation with Transport Canada, Treasury Board and the Department of Finance. As such, we will be very honest and open with our abilities, intentions and concerns regarding the major issues of the day. Due to the directness of this approach, we will reserve the right to remove some of the references when we produce the corporate plan summary, the latter of which is intended for general public consumption.

BWBC and U.S. Major Capital Spending – Past, Present and Future

Over a period spanning 20 years from 1997 to 2017, BWBC will have spent more than $238 million on major capital projects. Of this, $111 million has already been spent. Cash generated from operations over the years and the proceeds remaining from the bond issue are being applied to the $87 million of projects currently underway. Another $50 million of projects are planned to commence 2013 to 2017. In essence, the total re-design and refurbishment of the BWBC plaza over this period is well timed to take advantage of the excess capacity required when our counterparts on the American side build their new facility.

Major Construction and the Master Capital Plan - 20 Year Span

Year of Completion	Structure		Cost ('000's)
	Major Construction and Master Plan - Completed Projects		
1997	2nd Bridge Span	$	59,885
1999	1st Bridge Span	$	26,921
2001	Maintenance Building	$	3,029
2002	Duty Free Store	$	5,282
2005	Tourist Information Centre	$	3,984
2007	Truck Ramp	$	11,724
	Sub-Total	**$**	**110,825**
	Master Capital Plan - Projects in Progress		
2011	CBA Building Complex	$	66,882
2011	Federal Infrastructure Program	$	20,000
	Funded portion by Federal government	$	(10,000)
	Sub-Total	**$**	**76,882**
	Master Capital Plan - Future Projects		
2013-2015	CBSA Building	$	37,900
2015-2016	Currency Exchange / Public Washrooms	$	3,800
2016-2017	Toll Building	$	8,425
	Sub-Total	**$**	**50,125**
	Major Construction Projects	**$**	**237,832**

The U.S. Mega Bridge Plaza Project

This $586 million project will rebuild the plaza and 2½ miles of the Interstate 69/94 expressway, expanding the plaza grounds from 18 to 56 acres. Plans call for work to wrap up in 2016 or 2017 on what will be the most expensive public-works project in the local Michigan region. It is expected to generate 4,430 Michigan jobs. What it also buys is 3 minutes. That is the average wait motorists can expect once they pull into line at one of the plaza's 20 inspection booths. The three-minute wait - actually, it is 3.1 minutes for trucks and 3.4 minutes for cars - compares with an average delay of 27 minutes today and a projected 32 minutes if nothing is built.

One of the two major justifications for the $586 million project is the efficient movement of cross-border traffic, including the elimination of traffic backups. The other major justification is national security, a priority in the wake of the terror attacks of Sept. 11, 2001. Customs and Border Protection, an arm of the 5-year-old Department of Homeland Security, is expanding its operations at every major border crossing. Port Huron's new plaza will include state-of-the-art inspection technology such as 21 radiation detectors, four portals for electronic scanning of a vehicle's contents and 20 docks where trucks can be unloaded and their content searched. To date, $11.7 million has been spent on the environmental clearances required before work can begin.

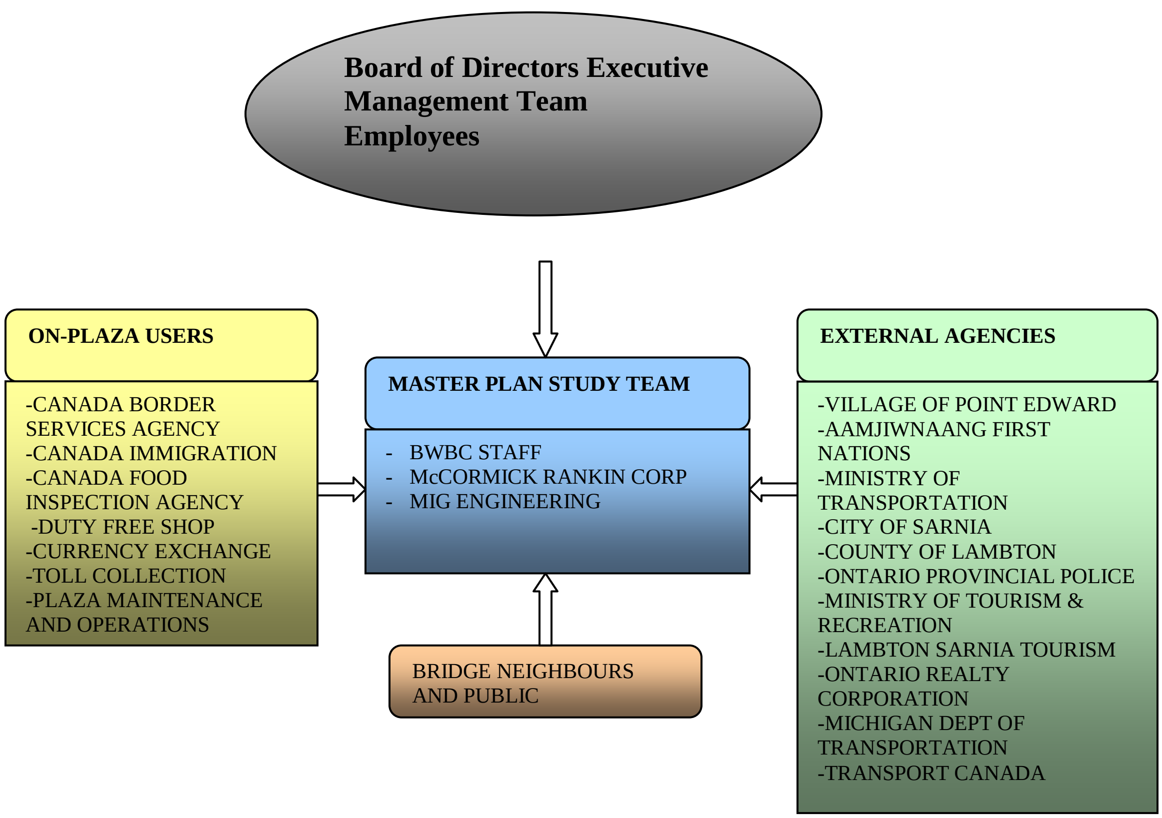
It will be one year – Spring 2011 – before the first shovel of dirt will be turned. If this deadline is met, the 2011 and 2012 construction seasons would be devoted to work on the Interstate 69/94 corridor.

The existing bridge, which also has a dangerous traffic weave, is 64 feet wide and carries four lanes of traffic. The new span will be 200 feet wide with nine travel lanes as well as a 14-foot bike path attached to the south side of the structure. Other improvements along the 2.5-mile corridor include a replacement of one city interchange and the expansion of another; the installation of traffic roundabouts, and; construction of a new international Welcome Centre.

CORPORATE PROFILE

The ***Blue Water Bridge Authority Act*** of 1964 established BWBC and authorized it to provide facilities for the carriage of highway traffic between Canada and the United States, defraying the costs of operating and maintaining the Canadian portion of the bridge with the ability to levy tolls. It also officially exempted BWBC from the assessment of income tax.

Over the course of its history, BWBC has evolved and nurtured its relationship with the plaza users, external agencies, employees and the surrounding communities. It is important to be not only a responsible corporate citizen but also to enhance our community profile and image along with the participation, input and buy-in of all the stakeholders.



HISTORIC MILESTONES

- **1938** Construction of the original span was completed and was dedicated as "a new bond of friendship and commerce between two…nations of this continent". Funding for the Canadian portion of the bridge was provided by the Federal and provincial governments. The project was completed at a cost of USD $3.9 million.
- **1962** The ownership of the Canadian portion of the bridge span was transferred to the Blue Water Bridge Authority from the Federal Government at no cost.
- **1964** The *Blue Water Bridge Authority Act* provided the legislative authority to levy tolls in exchange for the operation, maintenance and construction of sufficient facilities to house bridge-related, government agencies.
- **1992** An international task force concluded the existing bridge was operating in excess of its design capacity and that a new bridge should be constructed. A joint venture was undertaken between the Authority and the Michigan Department of Transportation (MDOT).
- **1997** The second bridge was opened to traffic and the original (first) bridge was closed for rehabilitation. The cost of the Canadian side of the new bridge was approximately $65 million paid in whole by the Blue Water Bridge Authority through an operating line of credit.
- **1999** The original bridge was opened to traffic and in tandem with the second bridge provided three lanes of traffic capacity in each direction. The cost of the rehabilitation was $25 million and paid by the Bridge Authority through an operating line of credit.
- **2002** The Authority became a Schedule III, Part I parent Crown Corporation and does not receive appropriations. Refinancing of its construction debt originated from a credit facility provided by a Canadian chartered bank in the amount of a $110 million bond issuance through which prior and future major capital projects would be financed.
- **2007** In accordance with the Federal Identity Program requirements, the Minister of Transport, Infrastructure and Communities and the President of the Treasury Board agreed on an applied title: Blue Water Bridge Canada.
- **2009** Commencement of construction of the CBA Complex building and the widening of Highway 402 and the NEXUS bypass lane which significantly improves the safety and free flow of passage for NEXUS/FAST participants; within Sarnia/Point Edward commuters, and; reduces the occurrence and prolonged idling of trucks and cars.

Applicable Legislation

Blue Water Bridge Canada (BWBC) was originally established as the Blue Water Bridge Authority by the *Blue Water Bridge Authority Act (Canada)* on May 21, 1964. On April 26, 2002 BWBC became a parent Crown Corporation, and as such, is listed under Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act.*

As required by the *Financial Administration Act,* BWBC must submit an annual corporate plan outlining its business, activities, investments, objectives, and the strategy to achieve such objectives for the relevant period. The corporate plan must also disclose if BWBC intends to borrow funds. The Governor-in-Council must approve such corporate plans and the Minister of Finance must approve all borrowing transactions. The *Financial Administration Act* (Canada) also requires that BWBC prepare and file annual operating and capital budgets, each of which requires the approval of the Treasury Board on the recommendation of the Minister of Transport. BWBC is also obliged to prepare annual audited financial statements and submit these to the Minister of Transport.

The *Blue Water Bridge Authority Act* and the *Customs Act*, Section 6, require BWBC to provide, equip and maintain, free of charge, adequate buildings, accommodation or other facilities for the proper detention and examination of imported goods or for the proper search of persons by customs and immigration officers.

Pursuant to the *Blue Water Bridge Authority Act*, BWBC is limited to charging tolls which provide for current revenues in an amount sufficient to pay it's reasonable current costs, to establish prudent reserve funds, to provide or replenish sinking funds in respect of outstanding bonds, and to pay other expenses properly incurred by BWBC in its performance of its duties under the Act. The *Canada Transportation Act*, Sections [117-120] regulates the means of setting and publishing toll rates and provides that notice of an increase to a toll rate must be published at least 20 days before the effective date.

The *International Bridges and Tunnels Act* came into force in April 2007. International Bridges and Tunnels Regulations on maintenance and repair and operation came into force in February 2009. BWBC does not anticipate any significant implications nor material impacts on its operations or procedures.

BWBC is also required to comply with the *Official Languages Act* and with the *Federal Identity Program*.

FACILITIES

The Bridge

The Bridge includes the Canadian portion of two international toll bridges spanning the St. Clair River at the mouth of Lake Huron. The Canadian portion of the Bridge ends at the international border approximately halfway across the Bridge. The bridges connect the communities of Point Edward (Sarnia), Ontario and Port Huron, Michigan. Historically, BWBC and the Michigan Department of Transportation ("MDOT"), as operator of the US portion of the bridges, continue to enjoy a co-operative working relationship in the construction, rehabilitation, operation and maintenance of the Bridge. Officials from BWBC and MDOT meet regularly to discuss issues regarding the joint operation of the two bridges.

Construction

The initial three-lane bridge construction was completed in 1938 with a main span across the St. Clair River of 875 feet, a navigational clearance above the river of 152 feet and an overall length of 6,534 feet. The original bridge underwent a two year rehabilitation completed in 1999 which is projected to extend its life expectancy an additional 50 years from the completion of construction**.** A new three-lane bridge with a main span of 922 feet, a navigational clearance above the river of 155 feet and an overall length of 6,109 feet was constructed and opened for traffic in 1997. The life expectancy of the new bridge is 75 years, at which point a major rehabilitation project will be required.

Location

The Bridge connects Highway 402 in Ontario to I-94 and I-69 in Michigan, which provide south-westerly access to the following metropolitan areas: Detroit, Michigan; Indianapolis, Indiana; Chicago, Illinois, Madison, Wisconsin; Minneapolis, Minnesota; and St. Louis, Missouri. An overview of the location of the Bridge in relation to major trade routes is presented in the figure below: Blue Water Bridge – Major Trade Routes.

Blue Water Bridge - Major Trade Routes
Pont Blue Water - Principales routes de commerce

The BWBC Facility

The bridge spans' underlying land and the buildings and other appurtenances on the land, as described below, are referred to collectively as the "Facility". The Facility is situated on 98 acres of land in the village of Point Edward (Sarnia), Ontario. The underlying land is owned by BWBC, and is encumbrance free. The new truck ramp facilitates and eases the convergence of trucks onto the 402 Highway. The plaza on the Facility (the "Canadian Plaza") is comprised of several buildings.

The main building complex is a series of connected two storey buildings, which house BWBC administration offices, Canada Border Services Agency, various customs brokers and a trucker's waiting area. A new Maintenance facility was completed in 2001 and the new Duty Free Store in 2002. Other buildings located on the Canadian Plaza include a toll office, projects office, currency exchange, public washrooms and the Canadian Food Inspection Agency. A new tourism travel centre constructed in 2005, is located in a landscaped rest area just off of the Canadian Plaza. A generator building is also located on the Canadian Plaza. The generator provides emergency backup power for the entire Canadian Plaza in case of a local outage.

First Nations Relationship

Approximately 38.5 acres of the Facility's underlying land have been identified as being archaeologically sensitive. Portions of this acreage have been determined to be aboriginal burial sites within the meaning of the *Cemeteries Act* (Ontario), and the Aamjiwnaang First Nations, which is located within Sarnia, has assumed responsibility for the preservation of these aboriginal human remains. Accordingly, development and construction in these areas is undertaken very carefully and incorporates pre-construction archaeological investigations. Historically, BWBC and the Aamjiwnaang First Nations have maintained an excellent working relationship. This is evidenced by the successful and conflict-free construction and completion - along archaeologically sensitive land - of the second bridge span, the expansion of a staff parking lot, the completion of a new maintenance facility and the construction of a new Duty Free Store.

In addition, on June 21, 2002 BWBC and the Aamjiwnaang First Nations signed a Memorandum of Understanding (the "MOU") to record the shared vision, goals and objectives of the First Nations and BWBC with respect to First Nations heritage and the archaeological resources present at the Bridge site. BWBC has constructed a beautiful modern retail facility within the Tourist Information Centre called the Ojibwe Trading Centre and provided to the Aamjiwnaang rent-free to promote the sale of aboriginal crafts to the travelling public and the local community. BWBC and the Aamjiwnaang meet at least once a year to explore issues of mutual interest and flexibly respond to issues of the day or future challenges.

THE BUSINESS OF BWBC

The business of BWBC is to operate and maintain the facility, which includes one-half of each of the two bridge spans. BWBC is responsible for the Canadian Plaza operations, maintenance of and improvements to the Bridge, and toll collection for traffic travelling from Canada to the United States. Revenues consist of tolls collected from westbound traffic crossing the Bridge, office and facility rental income from commercial "non-government related" customs brokers located on the Facility, rental and commission income from the operators of the Duty Free Store and income from the Currency Exchange. Other secondary income sources are derived from interest on cash balances, escort fees, and commissions on sales from food vendors and food vending machines.

Toll Revenues

The principal source of revenues for BWBC is tolls collected from westbound traffic crossing the Bridge into the United States. BWBC has the exclusive right to impose and collect tolls for westbound vehicular crossings. All revenue collected from westbound traffic belongs to BWBC.

Tolls are collected for eastbound traffic on the American side by the Michigan Department of Transportation (MDOT). Revenue collected from eastbound traffic belongs to MDOT.

BWBC prepares annual expense and capital spending budgets. In addition, long-term cash flow forecasts are prepared and reviewed annually. If, after determining priority items, a potential cash shortfall is identified or a bond covenant is in danger of being breached, BWBC has the authority to increase the toll rates after posting the proposed changes at the toll booths for 20 days. These powers were granted under the *Canada Transportation Act (1996)*. Toll rates at other competing border crossing locations are periodically reviewed to ensure that BWBC remains competitive.

Based on our current corporate plan, even with the contemplated toll adjustment in September 2011, significant debt financing will be required for the fiscal years 2011 and 2012. If we accelerate the second CBSA project ($37.9 million) planned to commence 2014 to 2016, the debt financing will continue to be significant but within our combined bond-issue-debt-financing limit of $125 million. To mitigate this, planned regular toll adjustments of incremental amounts of a minimum of $0.25 per car or axle is a prudent course of action over the long-term. In the past year MDOT raised its toll rate for the first time in 10 years and doubled its tolls to the tune of $1.50 per car or axle receiving a wave of negative publicity and traveller consternation. Smaller increases over regular periods (ie. bi-annually or tri-annually) is recommended and appears to be more palatable to the general public and trucking carriers.

The most recent Canadian toll adjustment occurred in September 2008 which affected cash paying customers only, by increasing the toll rates by $0.25 per car and/or axle while not affecting prepaid tokens or prepaid trucking accounts. Prior to this rate hike there was a U.S. rate adjustment on November 1st, 2007 to respond to the strengthening of the Canadian dollar being at or close to par with the American dollar. This corporate plan has incorporated only one toll rate adjustment of $0.25 per car &/or truck axle to occur at the beginning of September 2011. However, as this date approaches, the necessity of implementing those adjustments will be reviewed and re-justified pending Board approval. Based on past experience and our competitive position with regard to other bridge crossings, these increases are not expected to affect traffic volume.

Tolls are collected by toll collectors and automatic coin machines (“ACM’s”) at the five toll booths located on the Canadian side of the Bridge. Passenger vehicles can pay in cash or with BWBC tokens. Commercial vehicles can pay in cash or through the use of a magnetic swipe card and a prepaid account via cheques or credit card.

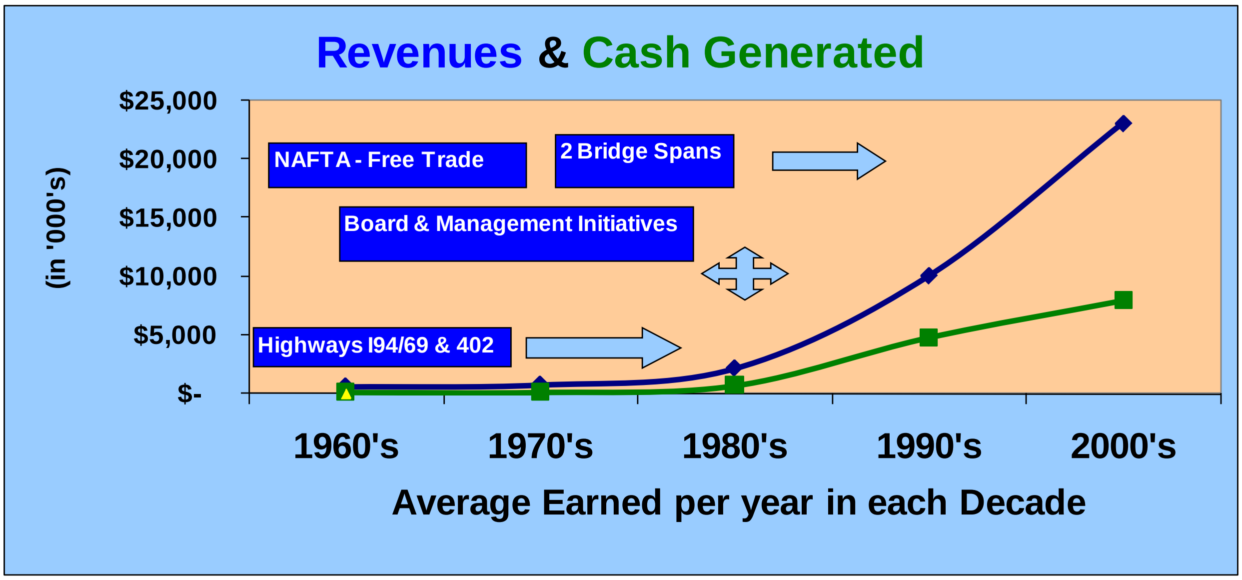
The toll and accounting systems are fully integrated. BWBC completed a major accounting and toll system upgrade in November 1999. The first step in the process was the construction of a new centralized computer room in the administration building. The room houses the toll system, accounting and email servers. The computer room, administration building, maintenance building, toll plaza and toll lanes are connected with high speed fibre-optic lines. A systems upgrade to the toll software, automatic coin machines, lane controllers and toll server was completed in December 2002. Another system upgrade is planned in the near future but will be coordinated with the new system contemplated by the American side of the Bridge (MDOT). A new IT Manager position was created June 2008 to manage the technological improvements being planned; future toll upgrades, and; the Business Continuity program.

The Business of Traffic Volumes

Vehicular traffic demand over the Bridge has two principal components: commercial vehicles and passenger vehicles.

Historically, BWBC experienced significant increases in volume and revenues when:

- the Canadian and American highways 402 and I-94/69 interconnected;
- Free Trade between the two countries came into effect, and;
- The 2nd bridge span and 1st bridge span rehabilitation was complete.



and, significant decreases subsequent to 9/11 with:

- Increased security inspections and Western Hemisphere Travel Initiative (WHTI) requirements;
- Frequent incidences of prolonged traffic congestion;
- The general public perception of traffic congestion even when it did not exist;
- Lack of resourcing for border control agencies on both sides of the border;
- The strengthening of the Canadian dollar and the severe recession during 2008/2009.

However, other than the current year 2010 and next year 2011, significant increases in volume are not anticipated through to 2015 and might first occur when the Michigan side of the bridge plaza is redeveloped ***and*** there is a robust economic recovery.

Commercial Vehicles

Commercial vehicles, such as trucks and tractor-trailers, use the Bridge primarily to ship goods between Canada and the United States. Traffic volume from commercial vehicles is dependent on a number of factors, including the level of exports/imports between the two countries, which in turn depends on the levels of economic activity in North America generally as well as the relative strengths of the Canadian and U.S. currencies.

Since the interconnection of highways I-94/I69 and 402, the implementation of the *Canada-U.S. Free Trade Agreement* ("FTA") in 1989 and the *North America Free Trade Agreement* ("NAFTA") in 1994, the volume of traffic across the Canada-U.S. border has increased significantly. Based on statistics received from the U.S. Bureau of Transportation Statistics (BTS) for the period between January and September, 2008, the proportion of the major commodities flowing through the Blue Water Bridge at any time is typical of any year, per the table below.

The table on page 18 highlights the effect of the most recent recession on the value of goods crossing the border into the United States from the BWBC border crossing. Based on the figures compiled by the U.S. Department of Transportation, trade exports crossing into Michigan from the Blue Water Bridge decreased by 6.4% or almost $1.1 billion dollars during 2009. It should be noted that the statistics do not include the "value" of garbage or other waste disposal. It is expected that a significant portion of the garbage trucks will cease after December 2010. The table is interesting not only for identifying the products decreasing but also for those commodities increasing during such a severe recession.

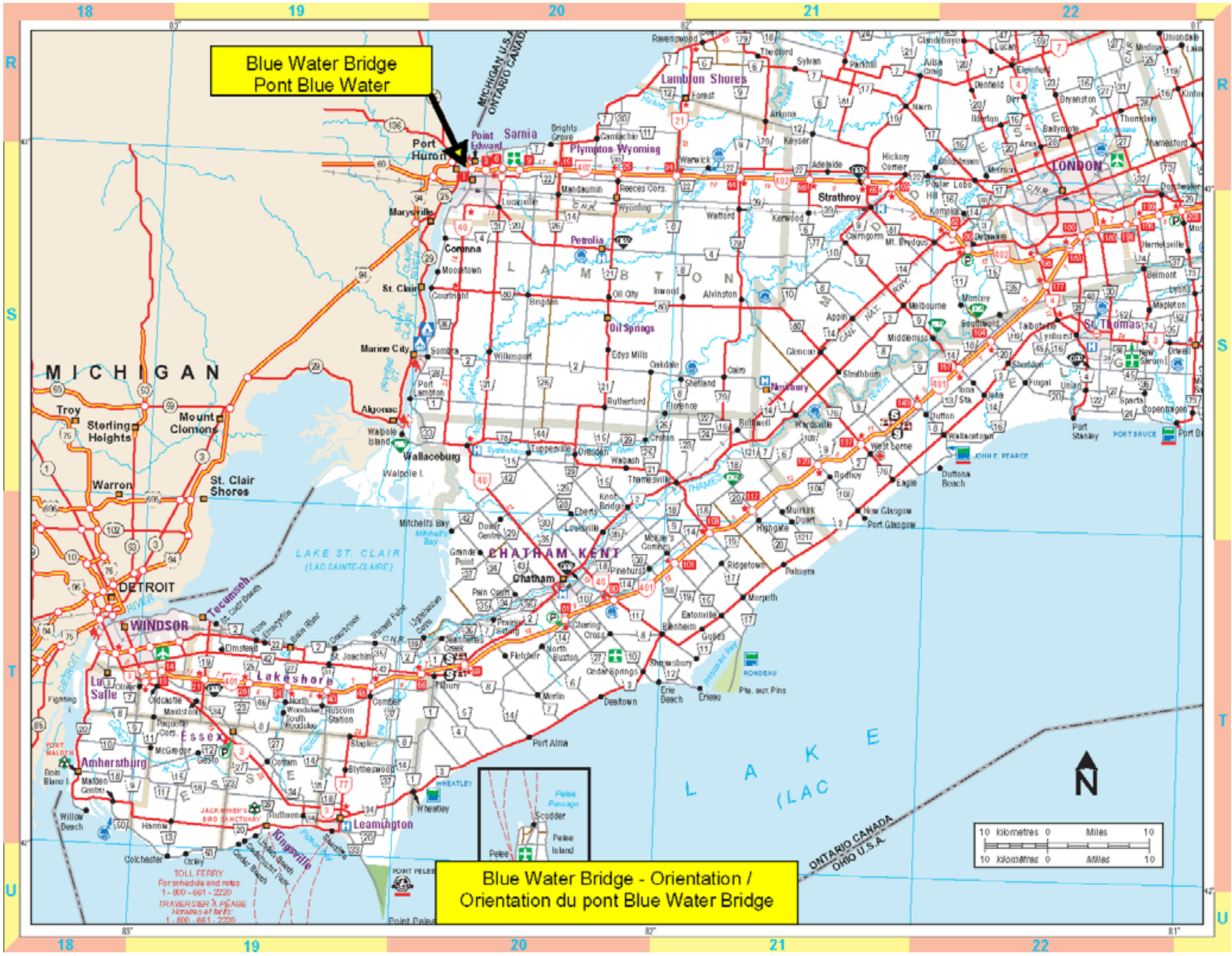
Commodity Description *Value (in Millions of US Dollars) representing 85.1% of all commodity types*	Total 2008	Total 2009	% of Total	Increase (Decrease)
Vehicles; other than railway or tramway rolling stock; and parts and accessories thereof	$ 3,206	$ 2,579	17.0%	$ (627)
Nickel and articles thereof	245	49	1.5%	(196)
Nuclear reactors; boilers; machinery and mechanical appliances; parts thereof	2,355	2,169	14.3%	(186)
Aluminum and articles thereof	632	492	3.9%	(140)
Inorganic chemicals; Organic or inorganic compounds of precious metals; of rare-earth metals	292	173	1.8%	(119)
Furniture; Bedding; mattress supports; cushions and similar stuffed furnishings; Lighting fittings	551	450	3.4%	(101)
Iron and steel	441	352	2.7%	(89)
Articles of iron or steel	430	352	2.6%	(78)
Live animals	100	65	0.6%	(35)
Wood and articles of wood; Wood charcoal	183	152	1.1%	(31)
Copper and articles thereof	141	111	0.9%	(30)
Mineral fuels; mineral oils and products of their distillation; Bituminous substances; Mineral waxes	252	227	1.5%	(25)
Cereals	60	43	0.4%	(17)
Rubber and articles thereof	433	417	2.7%	(16)
Tanning or dyeing extracts; Tannins and their derivatives; Dyes; pigments and other coloring matter	132	116	0.8%	(16)
Ships; boats; and floating structures	46	33	0.3%	(13)
Tools; implements; cutlery; spoons and forks; of base metal; Parts thereof of base metal	40	28	0.2%	(12)
Animal or vegetable fats and oils and their cleavage products; Prepared edible fats; Animal waxes	24	13	0.1%	(11)
Miscellaneous edible preparations	152	162	0.9%	10
Preparations of cereals; flour; starch or milk; Bakers' wares	165	176	1.0%	11
Edible vegetables and certain roots and tubers	26	39	0.2%	13
Furskins and artificial fur; Manufactures thereof	5	18	0.0%	13
Impregnated; coated; covered or laminated textile fabrics; Textile articles for industrial use	51	67	0.3%	16
Lead and articles thereof	19	35	0.1%	16
Preparations of vegetables; fruit; nuts; or other parts of plants	23	40	0.1%	17
Cocoa and cocoa preparations	65	84	0.4%	19
Coffee; tea; mate and spices	10	31	0.1%	21
Soap; organic surface-active agents; washing preparations; lubricating preparations; prepared waxes	71	95	0.4%	24
Articles of stone; plaster; cement; asbestos; mica or similar materials	84	109	0.5%	25
Miscellaneous chemical products	119	147	0.7%	28
Aircraft; spacecraft; and parts thereof	109	141	0.7%	32
Electrical machinery and equipment and parts thereof; Sound recorders and reproducers	705	737	4.3%	32
Toys; games and sports equipment; Parts and accessories thereof	31	77	0.2%	46
Plastics and articles thereof	839	890	5.2%	51
Sugars and sugar confectionery	56	121	0.3%	65
Paper and paperboard; Articles of paper pulp; of paper or of paperboard	365	463	2.2%	98
Special classification provisions	748	851	4.6%	103
All other commodity types (with increases or decreases >< $10 million)	3,054	3,102	20.4%	48
TOTAL	$ 16,260	$ 15,206	(6.48%)	$ (1,054)

SOURCE: U.S. Department of Transportation

International trade traffic typically follows the most cost efficient route which is determined by both travel time and distance travelled. Westbound traffic over the Bridge enters Port Huron, Michigan and has direct access to major interstate freeways I-94 and I-69.

These two freeways link directly into the industrial heartland of Michigan, Ohio and Kentucky, and the mid-west states of Illinois, Indiana, Wisconsin, and Missouri and beyond. Eastbound traffic over the Bridge enters Point Edward/Sarnia and moves directly onto the four–lane divided Highway 402 and then onto Ontario's major east-west throughway, Highway 401. The Bridge is the most efficient route between Toronto and Chicago. The Bridge is also the most efficient route between Boston and Chicago and between Western Canada and Toronto/Montreal. In addition, the Bridge handles 80% of the "in-transits" crossing the Michigan-Ontario border. "In-transits" are trucks which take a short-cut through a foreign country and then return to their originating country solely for the sake of taking the most efficient route. Approximately 10% of all commercial traffic on the Bridge is "in transit". The Bridge is an essential economic link between Ontario and Michigan as well as to the economic corridor through the United States and southerly to Mexico.

As at fiscal 2009, compared to other Ontario border crossings, the Bridge currently ranks as the third busiest for total vehicles, is the second busiest for the number of commercial vehicle crossings and is the busiest live animal port of entry on the Canadian border. During fiscal 2009 there were approximately 3,683 commercial vehicles and 8,576 automobiles (two-way) crossing the bridge spans daily. On peak days, the count exceeds 6,000 for commercial vehicles and 9,000 for automobiles.



Passenger Vehicles

Passenger vehicles, which use the Bridge, such as automobiles, motorcycles, buses and recreational vehicles, consist generally of tourists, cross-border shoppers and commuters. Traffic volume from passenger vehicles depends on a variety of factors including the demand for cross-border shopping, which varies according to gas prices and consumers' perception of the strength of the Canadian and U.S. currencies. Traffic volumes have also been affected by terrorist alerts and recent public health warnings.

Lease Revenues

The primary source of lease revenue is derived from a lease agreement with the Blue Water Bridge Duty Free Shop Inc., a private operator of the Duty Free Store (DFS). The lease payment is based on a fixed charge for recovery of the capital cost of the DFS building plus a percent of revenue.

To facilitate the processing of customs paperwork for commercial vehicles, BWBC has provided rental office facilities on-site for customs brokers. There are currently 16 companies holding rental leases with BWBC.

Primary Competition

As the third busiest U.S.-Canadian border crossing, the Bridge provides an efficient trade gateway between Canada and the United States. There are alternatives to the Bridge; however, other than the Windsor's Ambassador Bridge, none is considered by BWBC to be a major competitor.

CN Rail Tunnel

The Canadian National St. Clair Rail Tunnel crosses the St. Clair River in Sarnia. It was recently expanded to allow additional vertical clearance for trains, and has thereby increased its ability to carry larger loads. The tunnel services a different market than the Bridge.

The trains using the tunnel principally carry long-distance commodities (grain, coal, etc.) and finished goods (container shipments from Europe, cars, etc.) Trucks, because they can reach a broader market, including smaller geographic centres, more effectively than trains, are better at handling "just in time" deliveries, a major requirement of the automobile assembly industry. A significant portion of this industry is located in the trade corridor serviced by the Bridge. Seventy percent of U.S./Canada trade is carried by truck and 20% of U.S./Canada trade is carried by rail. Both volumes have been increasing but the ratio has remained relatively constant.

Ambassador Bridge

The Ambassador Bridge is a privately owned bridge located in Windsor, Ontario and crossing into Detroit, Michigan. The Blue Water Bridge and the Ambassador Bridge compete for toll revenue, which is derived from businesses located in the Detroit area. Where the Ambassador Bridge is situated, it services somewhat different trade routes than the Bridge. Traffic using the Ambassador Bridge is more likely to be very localized and destined for Detroit, southern Michigan, Ohio, and Tennessee and beyond. The Ambassador Bridge provides westbound access to I-94 and I-75 and eastbound access to the 401 Highway.

For passenger vehicle traffic, the BWBC toll rates are 36.8% or $3.50 Canadian lower than the Ambassador Bridge.

This route involves numerous stops and starts and, compared to the Bridge crossing, adds approximately 20 minutes of driving time before reaching a major highway.

The Ambassador Bridge, as it is a for-profit operation, generally has higher toll rates than the Bridge. However, for commercial vehicles, because it charges customers based on the weight of the trucks, some commercial vehicles which might otherwise use the Bridge choose to use the Ambassador Bridge when they are without a load, as the toll charges for an empty vehicle will be less than at the Bridge which charges on a per axle basis. BWBC believes that such diversion is not a significant source of lost revenue, as other factors, such as ultimate destination and ease of crossing will normally outweigh toll charges when vehicle drivers make a border crossing decision.

Detroit- Windsor International Crossing (DRIC) Study

Both the U.S. and Canadian Governments are planning to allow for the construction of a new bridge crossing in the Detroit-Windsor area not far from the Ambassador Bridge. The environmental assessment study is complete and has received approval from both sides of the border. BWBC does not anticipate any significant impacts to its revenue stream once the new crossing is operational. Based upon information contained in the DRIC study the new crossing would have a greater impact on the traffic and revenue of the existing crossings in the Detroit Windsor area than on the Blue Water Bridge.

Detroit-Windsor Tunnel

The Detroit-Windsor Tunnel, which is jointly owned by the cities of Windsor and Detroit, is only one of two vehicular-only international subaqueous border crossings in the world. It was originally designed with limited queuing space on either plaza whereby overflow traffic would be held within the underground/underwater tube itself. However, since 9/11, the Detroit & Canada Tunnel Corporation prohibits the queuing of vehicles in the Tunnel for safety and security reasons. As a result 250+ cars that would normally queue in the Tunnel now overflow onto city streets.

The Tunnel is not necessarily considered to be a direct competitor because 97% of the traffic which uses that facility is considered as commuter-based which has an origin and destination within and between the Detroit and Windsor areas.

Toll Rates across Ontario Border Crossings:

Toll Rates Comparative - Passenger Vehicles - Sarnia & Windsor-Detroit Locations

	Return (2-way) trips	Date of Increase	$ Cdn	U.S.
	Ambassador Bridge	1-Feb-09	9.50	8.00
	Detroit-Windsor Tunnel	3-Nov-07	8.50	8.00
	Blue Water Bridge	***1-Sep-09***	***6.00***	***6.00***
*	Lewiston-Queenston Bridge	15-Nov-07	3.50	3.25
*	Rainbow Bridge	15-Nov-07	3.50	3.25
*	Whirlpool Rapids Bridge (NEXUS)	15-Nov-07	3.50	3.25
	Peace Bridge	1-Jul-07	3.25	3.00
	Seaway International Bridge	15-Jan-09	3.25	3.00
	Sault St. Marie Bridge	1-Oct-09	2.90	2.50
	Thousand Islands Bridge	1-Jan-09	2.75	2.50
*	Niagara Falls Bridge Commission			

Toll Rates Comparative - Commercial Vehicles (Trucks) - Major Locations - Toll Covers Both Directions

Location	Explanations	(based on 5 Axles) $ Cdn	U.S.
Ambassador Bridge	0 - 38,000 lbs	**16.25**	**13.75**
(one-way toll)	28,001 - 56,000 lbs	**18.75**	**16.25**
	56,001 - 145,000 lbs	**26.25**	**22.50**
Peace Bridge	Covers both directions	**30.00**	**28.00**
	E-Z Pass		**25.20**
Lewiston-Queenston Bridge		**19.50**	**18.50**
Sault Ste. Marie Bridge		**20.30**	**17.50**
Thousand Islands		**22.00**	**19.50**
Seaway International		**15.25**	**13.50**
Blue Water Bridge Canada	***one-way toll***	***16.25***	***16.25***
Blue Water Bridge MDOT	one-way toll	**12.50**	**12.50**
	Both Directions	**28.75**	**28.75**

(Note: For the Blue Water Bridge spans, tolls are collected on both the U.S. and Canadian sides.)

Operations

The Facility is operated in accordance with the standards and procedures established by BWBC to address, among other things, emergency response, parking and traffic control, transportation of goods across the Bridge, security and communication.

BWBC owns all the equipment to operate the Facility and employs its own competent trained staff to perform the daily operations of the Facility. BWBC staff are internally trained in a number of specific programs including WHMIS (Workplace Hazardous Materials Information System), CPR, First Aid, Fire Prevention, Transportation of Dangerous Goods, Traffic Control and Working in Confined Spaces. These training courses, along with refresher courses, are provided to BWBC employees on a regularly scheduled basis. In addition, BWBC periodically hires outside consulting firms to conduct reviews of the operations of the Facility.

BWBC currently has a staff of 68 (50 full-time and 18 part-time) down from 75 of the prior year. A Voluntary Severance Package (VSP) was offered to employees in May 2009. The organization has eight departments: Accounting, Administration, IT, Currency Exchange, Janitorial, Maintenance, Project Management and Tolls. The Toll department is the largest with 23 employees.

In March 2007, the Currency Exchange, Maintenance, Janitorial and Tolls non-salaried employees joined the PSAC union, disbanding the Blue Water Bridge Employees Association. A new collective agreement was signed November 2007, currently in effect until November 2010. Negotiations will be underway this Fall 2010.

Insurance

BWBC maintains property, general liability and errors and omission insurance coverage which it believes is adequate with regard to its business and activities. The Bridge maintains various insurance policies, such as direct damage on bridge structures, use and occupancy, property of every description, commercial general liability, automobile/trucks, umbrella liability, crime, directors and officers and builders risk as required.

For fiscal 2010 the Canadian halves of the two bridge spans will be covered for $161.4 million of direct damage with a basic $500,000 deductible (except for earthquakes where the deductible is 3% of value insured with a minimum deductible of $500,000). Business interruption coverage provides approximately three years of lost revenue (with a 7 day waiting period). It is anticipated that a major reconstruction could be completed in that time frame. The policies contain an exclusion clause for damages caused by acts of terrorism.

Environmental Matters

BWBC has a legal obligation to ensure that regulatory requirements for all environmental material impacts are complied with under Canadian federal and provincial law. BWBC has in place standard operational procedures for emergencies and evacuations for all buildings, structures and plaza adhering to applicable statutes such as the *Environmental Assessment Act* (Ontario), the *Canadian Environmental Protection Act* (Canada), the *Navigable Water Protection Act* (Canada), and the Canada Labour Code. BWBC's storm water management plan includes a Ministry of Environment and Energy Certificate of Approval for the storm water holding pond with an amendment to include a containment spill compartment (*Water Resources Act* (Ontario)). All capital projects are subject to an environmental and archaeological assessment pre-design where applicable statutes apply. Development of an environmental policy is planned for fiscal 2010. The new CBA Complex building to be completed by 2011 will be accredited for LEED's (Leadership in Energy & Environmental Design) certification.

The International Bridges and Tunnels Act

With the passage of the *International Bridges and Tunnels Act and its Regulations* there is no additional impact to the BWBC. Over the years, our bridge spans have been inspected on an annual basis and the inspection reports sent directly to Public Works (PWGSC) as directed by Transport Canada. Over the past seven years, three security assessments have been conducted at the bridge facilities and millions of dollars have been spent since 9/11 on various physical enhancements to improve the safety and security of the bridges and plaza area. As the Master Capital Plan unfolds, additional safety, security and efficiency improvements are inherent in the multiple major projects undertaken, supported by extensive independent consultant and managerial studies. Historically, BWBC has always acted and, will continue to do so, in accordance to the directives and regulations as set out by the Minister of Transport, through the Governor in Council, concerning the safety, security and efficiency of this bridge crossing. We will seek Government approval for transactions that result in changes in ownership or operation or alterations of the Bridge.

While BWBC has the autonomy to set its own toll rates, these adjustments are only undertaken as required and only to ensure that we maintain our ability to fund our capital and operating requirements and avoid any contravention of our bond covenants. We continue to be sensitive to price elasticity to avoid any negative effect on traffic volumes. Only one toll rate adjustment has been built into the corporate plan and, as the planned time for the adjustment approaches, the rationale for the proposed adjustment will be thoroughly reviewed by the Board for their approval to ensure that our justifications are sound. On this basis alone are the adjustments included in this document for overall Government approval.

ORGANIZATIONAL OVERVIEW

BWBC is governed by a Board of Directors that is responsible for the affairs of the corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. It is comprised of a chairperson and three directors, appointed by the Governor-in-Council.

ROLES AND RESPONSIBILITES OF DIRECTORS

The primary role of the Board is to provide oversight of current activities and to set policies intended to ensure long term success of Blue Water Bridge Canada. In exercising their stewardship and fiduciary responsibilities, Directors are expected to exercise judgment in several areas including the establishment, approval and monitoring of Blue Water Bridge Canada's strategic direction, approval and monitoring of financial objectives, plans and internal controls, safeguarding BWBC's assets and reporting to the government of Canada.

The Board of Directors will provide direction to senior management in the development of long-term strategy for BWBC. Annually, the Board of Directors will review the strategic plan and oversee the strategic initiatives. The Board of Directors will involve itself in strategic planning and the monitoring of BWBC's performance against its strategic plan.

The Board will be responsible for oversight of the reliability and integrity of BWBC's financial reporting and will review the accounting principles management has followed to provide accurate and complete financial reports, in compliance with all legislated requirements. The Board of Directors will also oversee the public disclosure of BWBC's financial reports, according to all legislated requirements so as to promote transparency and accountability.

The Board of Directors will review management's integrated risk management policies, control systems and practices that have been put in place to manage key business and financial risks identified by management.

BWBC also has an Audit Committee. The Audit Committee consists of all four members of the Board of Directors. The Chair of the Audit Committee will be the Vice Chair of the Board. Elections for Vice Chair/Chair of Audit Committee will be held annually in August.

ROLE OF THE AUDIT COMMITTEE AS PRESCRIBED BY THE *FINANCIAL ADMINISTRATION ACT*

The audit committee of a parent Crown Corporation shall
(a) review and advise the board of directors with respect to the financial statements that are to be included in the annual report of the corporation;

(b) oversee any internal audit of the corporation;

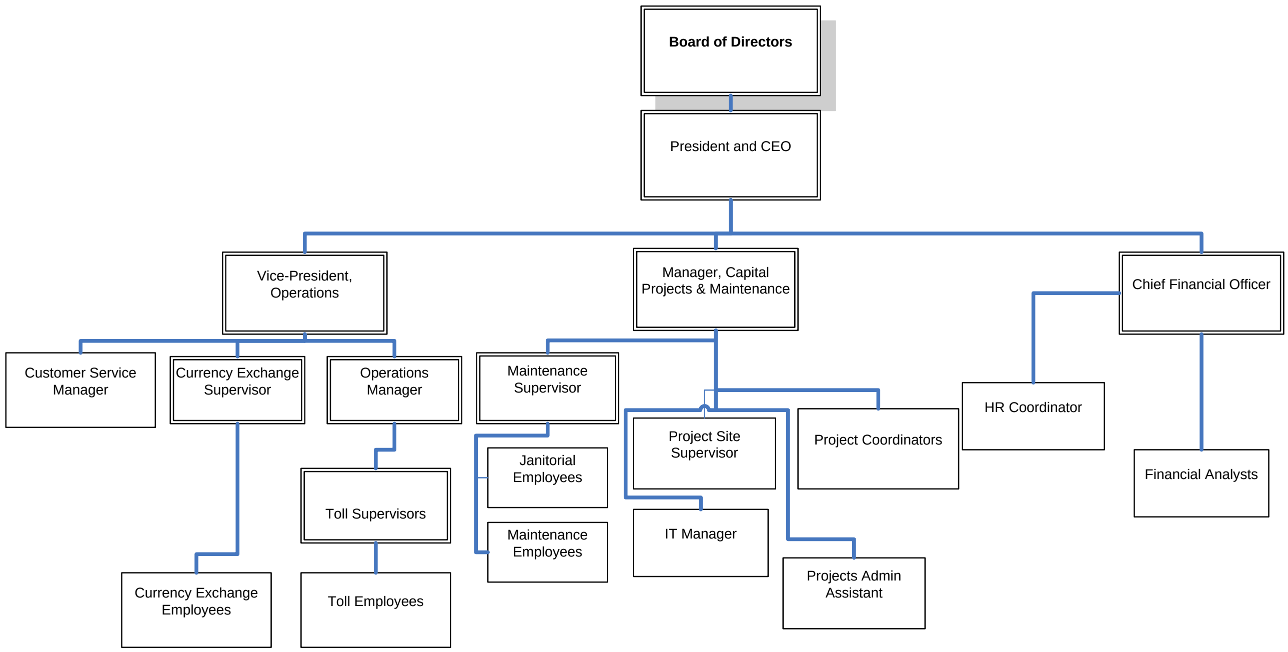
(c) review and advise the board of directors with respect to the annual auditor's report of the corporation;

(d) in the case of a corporation undergoing a special examination, review and advise the board of directors with respect to the plan and reports;

(e) review and advise the board of directors with respect to the Corporation's employee pension plan; and

(f) perform such other functions as are assigned to it by the board of directors or the charter or by-laws of the corporation.

Corporate Organization Chart



ETHICAL BEHAVIOUR AND VALUES

Blue Water Bridge Canada is committed to providing a work environment that is characterized by mutual respect and free from discrimination and harassment. Respect for the individual is the foundation for cooperation and understanding at the Blue Water Bridge Canada, whether on premises or off, during working hours or not, and including all telephone, electronic and written communications. Policies exist with respect to “Employees Code of Ethics and Conduct” and “Mutual Respect: Towards the Discrimination and Harassment free Workplace”. All employees have attended mutual respect training.

AUDITS

A special examination was completed in fiscal 2008. The most recent internal audit was completed during the Fall of 2009. Recommendations from both audits are routinely incorporated into the strategic objectives for the corporate plan if they have not been implemented. For those recommendations not yet implemented, they are identified in the 2009-2010 and 2010-2011 strategic objectives.

Of the seven original recommendations from the special examination there remain only two to implement which are identified in our strategic objectives:

- Formal contracting policies and procedures
- Development of an environmental policy
- The 2008-2009 internal audit report confirmed that in a number of areas proper controls and best practices were indeed in place. There were a number of minor recommendations made and management has accepted them for implementation.

Living Our Mission and Vision Statements

The Board and Management established our mission and vision statements in 2008.

Mission: "To make your gateway experience safe, efficient and enjoyable"

Recognizing the importance of setting a definitive course for the future, the board and management adopted the following vision statement, to reflect the organization's intended standing in three to five years:

Vision: "To be recognized by our customers as an essential part of their travel experience"

Values: "BWBC values effective team work, delivering valued service and continuous improvement."

Our values are principles which we strongly believe in, and which guide our thinking and actions. They are standards against which we judge ourselves. There are three core values:

BWBC values...	
effective team working	We contribute and collaborate effectively within and across our teams.
delivering valued service	We take pride in providing a professional service which meets the needs of our clients.
continuous improvement	We continuously develop and improve our services in line with our vision, mission and goals.

For each of the three values, there are a number of "example behaviours", which illustrate what it is like to live up to those values:

Effective team working: We contribute and collaborate effectively within and across our teams.
When we do this well, ...

- *we have trust and confidence in our colleagues and in the team's ability to succeed.*
- *we have positive relationships within and across our teams.*
- *we celebrate team and BWBC success.*
- *we include our clients and stakeholders in our team.*
- *our diversity and inclusivity are a source of strength.*

Delivering valued service: We take pride in providing a professional service which meets the needs of our clients.
When we do this well, ...

-
- *we work professionally and efficiently to provide services which enable our clients to achieve their own objectives.*
- *we take pride in the quality of our services.*
- *our clients trust our services.*

Continuous improvement: We continuously develop and improve our services in line with our vision, mission and goals.
When we do this well when, ...

- *we take a "can-do" attitude to change.*
- *we are agile in adjusting and developing our services to meet changing needs.*
- *we continually look for ways to improve the value of our services.*
- *we show initiative and take the lead to help provide better services.*
- *we address issues and use the lessons learned from them constructively.*
- *we establish and respond to clear direction and explicit goals as we improve our services.*

Fiscal 2009 was the most recent time the Board re-examined and reevaluated these statements. The Board members agreed that the statements had positively influenced how they conducted their business during the past year. Further, the statements were used on a number of occasions to effectively describe BWBC's purpose and future direction to internal and external audiences. During the discussion that ensued, members considered whether their underlying concern about managing costs and investing money wisely were adequately reflected in the statements. It was concluded that such concerns were adequately reflected in the use of the words "efficient" and "safe." As well, the Board concluded that it was being realistic in its use of the term "essential." Such a desired standing was a challenging, yet achievable, long-term goal.

Ultimately, the Board agreed that the mission and vision remained valid guideposts for BWBC's continued progress. It was noted that the management team was using the statements as a business reference on a frequent basis. As a further step, the members agreed that it was important for the Board to continue to encourage managers to have the intent and direction of the statements also reflected in their day-to-day actions and those of their employees.

In discussing the importance of the two statements as central guide markers for the organization, the Board wondered if enough was being done to encourage all employees to have the core sentiments of the mission and vision reflected increasingly in their daily activities. During their retreat, directors had asked if the Management Team might consider other initiatives, beyond posting the statements and conducting an introductory employee orientation, to help employees make the connection more effectively.

Transforming the mission and vision statements into concrete actions management will be proceeding with these five areas of focus:

Honouring Our Gateway Role
"We will manage ourselves, our properties and assets in a manner that reflects positively on the citizens of Lambton County, Ontario and Canada."

Customer-centric Services
"We will centre our business clearly on the needs and preferences of our customers."

Providing a Personalized Touch
"Our employees will be knowledgeable, proficient empowered and properly equipped to provide a premium-quality service in every area of our operations that consistently meets or exceeds the expectations of our customers."

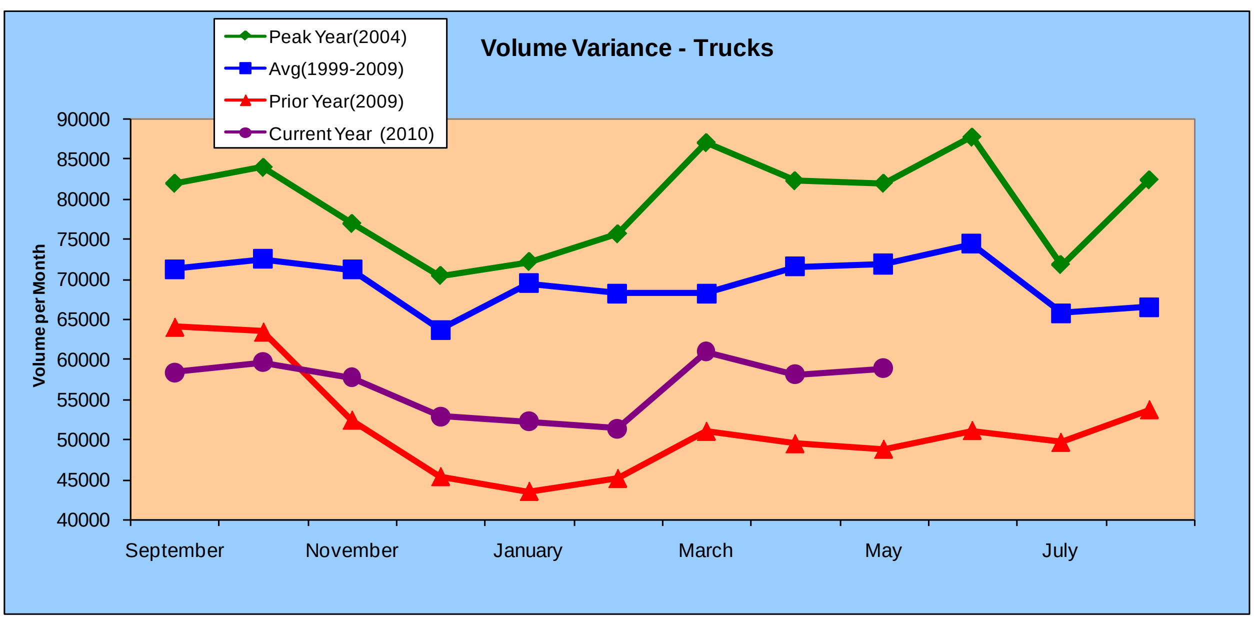
Sustaining Robust Partnerships
"We will collaborate creatively with others who share our vision and values of quality customer service and community betterment."

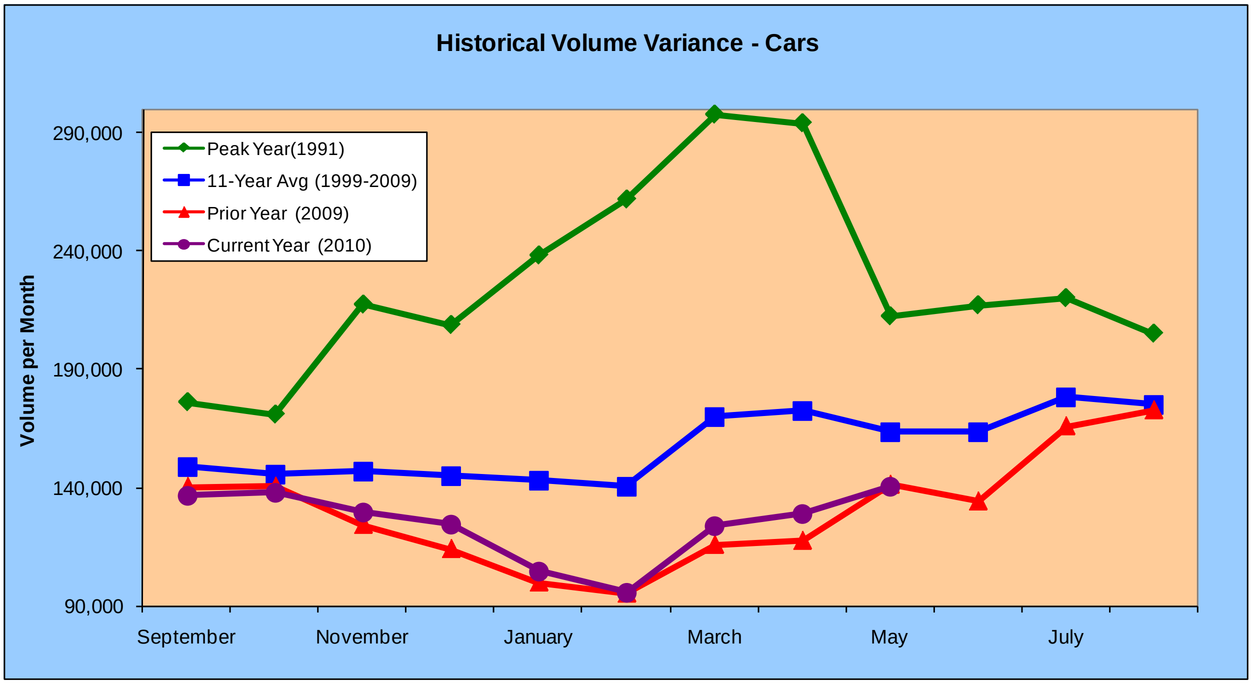
Creating Hallmark Facilities
"Our facilities will be planned, developed and maintained using innovative and progressive designs, technology and management systems that will assist us in conducting our business with maximum competence and pride, while having minimum impact on our environment."

Financial Experiences in Fiscal 2010 with previously Forecasted Events

Financial Effects

BWBC did not achieve its previously forecasted commercial traffic projections in fiscal 2009 but has experienced a positive rebound of 10.20% with truck traffic 9 months into fiscal 2010. Based on economic forecasts and the most recent seven months (November to May) whereby the increases over the prior year were well above 10% we are forecasting a significant increase of 10% for the balance of fiscal 2010 and four months into fiscal 2011 after which the elimination of Toronto's garbage transported through the border will take effect. Nonetheless a lower increase of 5% from January through August 2011 is anticipated. Modest increases of 1% per year thereafter are conservatively projected. We attribute this increase predominantly to the economic recovery currently being experienced and the auto industry's predictions of an increase in production. Even with these increases we are still well below the 11-year average and only slightly above our worst year which was fiscal 2009.





BWBC is also taking into account that once the economy does recover the manufacturing sector may not return to pre-recession levels as many plants and factories have closed and equipment has been removed. Our forecast is very conservative given the unpredictability of the current economic situation. The forecast will also take into account:

1. The strengthening of the Canadian dollar and its positive impact on Canadian travelers into Michigan offset by the negative impact on American travelers;
2. High unemployment in Michigan and the trend of fewer American travelers;
3. The slowdown in the U.S. and Ontario economies;
4. Public perceptions and misperceptions of (a.) passport restrictions (Western Hemisphere Travel Initiative); (b.) increased U.S. and Canadian Customs vigilance at the border, and; (c.) fear of being caught in long lineups on the Bridge spans and approaches.

Five Year Trend - Westbound - Traffic Volumes

	Actual					Percent Decrease	Average Five Year
	2005	**2006**	**2007**	**2008**	**2009**	**'09 vs '05**	**Decline**
Car/Rvs	1,857,347	1,860,097	1,738,243	1,710,939	1,562,799	**(15.86%)**	**(3.17%)**
Trucks	912,718	883,421	784,319	754,660	617,102	**(32.39%)**	**(6.48%)**
Total	2,770,065	2,743,518	2,522,562	2,465,599	2,179,901	**(21.31%)**	**(4.26%)**

Due to the recovery from the most recent recession, this corporate plan has significantly increased the volumes from those previously presented in last year's corporate plan for the years 2010 to 2014 (refer to the two charts below). Input into these forecasts are also received from BWBC Management, BWBC commercial accounts (Trucking firms), Ontario Trucking Association data and various media and manufacturing forecasts.

Car Volume
Corporate Plan Comparative Current (2010-2015) vs (2009-2014)
(excluding the year 2015 for comparative purposes)

	Forecast Actual 2009	2010	2011	2012	2013	2014
(2009-2014)	1,519,579	1,402,042	1,402,042	1,416,062	1,430,223	1,444,525
(2010-2015)	1,562,799	1,584,922	1,600,772	1,616,780	1,632,948	1,649,277
Increase	**43,220**	**182,880**	**198,730**	**200,718**	**202,725**	**204,752**
	2.84%	**13.04%**	**14.17%**	**14.17%**	**14.17%**	**14.17%**

Truck Volume
Corporate Plan Comparative Current (2010-2015) vs (2009-2014)
(excluding the year 2015 for comparative purposes)

	Forecast Actual 2009	Trucks 2010	2011	2012	2013	2014
(2009-2014)	623,535	558,595	558,595	564,181	569,823	575,521
(2010-2015)	617,102	665,864	710,583	717,689	724,866	732,115
Incr.(Decr.)	**(6,433)**	**107,269**	**151,988**	**153,508**	**155,043**	**156,594**
	(1.03%)	**19.20%**	**27.21%**	**27.21%**	**27.21%**	**27.21%**

Capital Spending

Capital spending is anticipated to be $32.4 million for 2009-10, $18.3 million less than stated in last year's corporate plan primarily due to delays with the start-up of the Canadian Plaza Improvements CBA Complex project and a reduction in the federal infrastructure program from $27.0 million to $20.0 million. Capital spending for 2011 is anticipated to be $25.8 million, $20.7 million more than forecast for the same year in last year's corporate plan. Substantial completion for the CBA Complex is expected to be December 2010, with official relocation to be completed by February 2011.

Fiscal 2009/2010 Strategic Objectives

2009/2010 Goals			
2009-2010 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Incorporate improvements into the employee management program by the end of Q1, 2009-2010, that will strengthen and augment the measures currently being implemented and address specific areas of interest to the Board	**Hay Compensation Structure Review with Board by Fall 2009**	**Review at September or October 2009 Board meeting**	**Not done but in Jan. 2010, Management has developed a formal salary administration policy/discussion paper linked to the Hay Review.**
	Management review of HR policies by September 2009	**Documented review**	**HR benefits currently under active review; benefits administration discussion paper drafted.**
	Development of Values statement by May 2009	**Document**	**Completed**
	Development of 5-year personnel resources plan	**Document & discussion at a Board meeting**	**Ongoing; discussed in relation to current strategies.**
	Development of an employee relations plan	**Document & discussion at a Board meeting**	**Employee management/development group formed & suspended.**
Implementation of new software	**Project Accounting Module**	**Completion August, 2009**	**Deferred to Q4 2012/2013 due to time constraints- other projects.**
Impact study on the feasibility of new technologies on operations	**Impact study identifying software modules & hardware equipment to improve operational efficiency and safety**	**Formal impact study document**	**Completed; implementation of Sharepoint and being enhanced on an ongoing basis.**
Explore with MDOT opportunities for joint efficiencies	**Semi-annual meetings with MDOT** **Documented reports identifying the efficiencies and the plans & schedules to implement**	**Minutes from semi-annual meetings**	**MOU signed. Joint bridge inspection has occurred. Further joint activities being explored on an ongoing basis.**
Formalize purchasing and contracting policies and procedures	**Purchasing Policy** **Contracting/Tendering Policy**	**Policy document by September 2008** **Policy document by September 2008**	**Both documents Deferred to 2011/2012 due to time constraints- other projects.**
Develop an asset acquisition plan	**Approved document**	**Plan document by December 2009**	**Satisfied with Capital Master Plan which is reviewed annually.**
Develop a policy on electronic devices and information management	**Approved policy**	**Policy document by December 2009**	**Deferred to 2011/2012.**

2009-2010 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS	Status
Develop a marketing and customer service program plan	**Increase prepaid toll accounts**	**Survey trucking companies**	**Completed March 2010**
Develop a government relations program plan	**Identify key stakeholders, collect and analyze field information to determine attitudes, interests, concerns & involvement regarding BWBC** **Multi-year action plan**	**Documented report** **25% challenge** **Wait time metrics** **NEXUS expanded hours**	**Completed March 2010**
Develop a community relations program plan	**Implementation strategy** **Budgeted action plan** **Measurable targets**	**To be established**	**Completed March 2010**
Develop an Integrated Environmental Sustainability Program	**Environmental Policy** **Current situation analysis**	**To be established**	**Further clarification from the Board required**

Deferral of Projects for Prior, Current & Future Years

While there has been the successful completion of many strategic objectives generated from the internal audit, special examination and Board/Management strategic direction, a number of projects have had to be deferred due to:

- The start-up of the CBA Complex;
- The federal infrastructure program;
- Major cost-cutting (expenses and employee workforce) programs;

The intent is to complete such "deferred" projects and review of the expected timelines will be undertaken at the annual Board and management strategic direction sessions.

Fiscal 2010/2011 Strategic Objectives

2010/2011 Goals			
2010-2011 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Program Action plans, with performance based monitoring and auditing components	Dashboard Performance Measurement Indicators by April 2010.	Dashboards for: - Capital Projects - Customer Relations and Marketing - Government Relations - Community Relations - Employee management action - Finance	
Financial Controls	Install Purchase Order Module Install Capital Project Costing Module	Implementation Implementation by Q4 2012/13	
Develop a sustainable development program	Prepare an outline of program components and associated implementation schedule	Sustainable development program	
New Business Revenue Opportunities	Identification of possible new ventures and new sources of revenue	Report to the Board	
Identification of exposures and risks	Report to the Board describing the nature and level of exposures faced and insured or mitigated by existing insurance or BWBC policies. Provide recommendations for future action concerning each policy/area of risk.	Delivery of report Delivery of recommendations	
Improving Board-CEO Relationship	Identification of opportunities to build a positive relationship with the CEO. Review formal self-evaluation to identify points of concern & recommendations Review information on education, training and leadership development and consider approval to enroll.	Identification of opportunities Formal report Identification of educational, training and leadership development opportunities	

Financial Strategies, Assumptions and Budgets

Increase Productivity & Efficiencies

Modernize and streamline all accounting processes with the review, implementation or upgrading of its accounting systems and the integration with new, non-accounting systems. While some of these projects have been deferred to future years, due to the priorities of dealing with the new federal infrastructure program, the commencement of the $67 million CBA Complex project and reacting to the significant decline in traffic with a major cost-cutting program, the intent is to complete these "deferred" projects in the near future as time and resources (cash and human) permit.

Improve Accounting and Audit Controls

Continue to strengthen accounting and audit controls with comprehensive continuity schedules and formalized audit trails to ensure proper accounting control and accurate financial reporting. The IFRS conversion project has been contracted out to a major chartered accounting firm and is on schedule. The internal audit had been previously done by a local firm but has been contracted out to Ernst & Young for the next five years after an RFP competition had been completed in March 2010. The IFRS and internal audit reports produced by the accounting firms have been reviewed by the Office of the Auditor General.

Ensure Preservation of Capital for Master Plan

Improve the monitoring of cash flow to ensure that the master capital plan will continue to be fully funded from cash generated from operations and existing cash and investment levels. Through the use of an established financial forecast model, current or subsequent year financial analysis as well as 5-year and 20-year outlooks will be dynamically produced in order to provide alternative financial scenarios from which the Board and management can make the most prudent and responsible strategic decisions with regard to cash flow management and the scheduling, postponement or acceleration of Master Plan projects while ensuring that we will continue to satisfy bond or bank borrowing covenants, where applicable. While a toll rate adjustment is planned for September 2011 (fiscal 2012), as that date approaches, the Board will review and reevaluate the necessity for such a toll adjustment en lieu of increasing other revenues and/or decreasing expenses.

Consequences of Delaying/Altering Parts of the Master Plan

While the major components of the master plan are expected to proceed as planned to address safety, security, efficiency and environmental issues, regular annual review of these plans by the Board and management are a prudent way to take advantage of perceived economies of scale, lower costs and increase efficiencies at the border. Minor changes and short delays in the projects will not have significant impacts. The injection of the $13.5 million Federal Infrastructure funding to fund $27 million in capital projects has allowed BWBC to expedite capital projects in the Capital Master Plan that we had originally intended to proceed with only in future years. Delaying any of the federal infrastructure projects would increase the risk of BWBC having to fully finance the work on any of the projects if they exceed the March 31st, 2011 deadline for completion.

Five-Year Key Planning Assumptions

The corporation has made the following five-year planning assumptions in projecting the major components of its operating budget. Plans to improve revenues and to find efficiencies within expenses are an ongoing exercise for management.

Revenues

Toll Revenue

- Commercial volumes will increase 7.9% in 2010, increase a further 6.7% in 2011 and show a moderate growth of 1% from 2012 to 2015 based on current year trends and independent auto and trucking industry analytical reports. Toll adjustments of $0.25 per axle are built into the projection figures for fiscal 2012.

- Passenger vehicle volumes will increase 1.4% in 2010 and show a moderate growth of 1% from 2011 to 2015. Toll adjustments of $0.25 are planned for fiscal 2012.

Foreign Exchange

- Based on all independent analytical economist and bank reports, the Canadian dollar is predicted to continue its strong performance and be at par value with the U.S. dollar. Due to the unpredictability of exchange rates, management prefers to forecast at the current par value level being experienced then identify fluctuations through its regular variance analysis.

Inflation

- Based on general expectations (banks, financial analysts) there is an expectation of inflation. For this forecast, a 2% inflation rate will be used for 2013-2015. The March 2010 federal budget has stipulated that operating budgets are to be frozen until 2013. Thus the operating budget, excluding depreciation, will not be increased but should show levels below the 2010 actual expenses until 2013.

Duty Free Store Revenue

- The major marketing campaign undertaken by the Duty Free Store has stabilized the revenue in 2009. Moderate improvements are expected in revenue for 2010 through 2014 of 1.0% per year.

Commercial Revenue

- Commercial revenue will decrease by 8.8% due to the renegotiation of the commercial brokers' leases in January 2009 to reflect the competitive pricing of the local marketplace. The commercial broker leases will not be increased in the near future due to local market conditions.

Currency Exchange Revenue

- The addition of ATM machines, Interac debit machines and credit cards has attracted additional customers as will other future enhancements such as a cash currency converting machine. The strengthening Canadian dollar to close to par value of the U.S. dollar has stimulated Canadian traveler sales.

Interest Income

- Directly affected by the levels of cash and investment in place, this income will continue to decrease due to the redemption of investments upon their maturity to fund the $67 million CBA Complex and the $27 million in infrastructure projects. The short and long-term investment portfolios and the Major Maintenance Reserve Fund will be fully depleted as investments mature and are redeemed to match capital expenditures. All future capital projects will have to be funded through continued positive cash flows from operations. As confirmed through the utilization of our comprehensive financial forecast model, the feasibility of funding the Master Plan is reflected in the enclosed financial statements.

- Average interest rates applied on investment and cash holdings are based on the average rate of returns received on the portfolios for the fiscal year 2009. The corporation earns interest at a rate of Canadian Prime less 1% on its general operating account.

Expenses

With reference to the Federal budget 2010, operating budgets will be frozen at the fiscal 2010-2011 levels for the following two years. The corporate plan complies with this directive, only if depreciation and major maintenance expenses are excluded from the calculations.

Salaries & Benefits

- This will reflect the enclosed staffing projection report and annual base increases of 3.0%. Overall benefit costs will generally trend to 41.34% of salaries. Future efficiencies and increased productivity in the currency exchange and toll departments are anticipated.

- Over the past three years, as “overhead” staff (ie. Managers and salaried employees) have resigned, positions within their respective departments have been eliminated accordingly and work has been dispersed or redefined in order to improve the productivity of the organization and to reduce costs. Cancellation of an external janitorial service contract covering the commercial brokers building and coverage by adding three additional, part-time janitorial employees will produce a net annual savings to BWBC. The Voluntary Severance Program eliminated 5 full-time and 3 part-time positions in Tolls and an additional full-time and one part-time position in currency exchange.

	Actual		Plan				
	2009	2010	2011	2012	2013	2014	2015
Full-Time							
Finance & Administration	8	7	7	7	7	7	7
Currency Exchange	5	4	4	4	4	4	4
Janitorial	5	5	4	4	4	3	3
Maintenance	9	9	9	9	9	9	8
Project Management	6	6	6	6	6	6	5
Tolls	24	19	19	19	19	19	19
Total Full-Time	57	50	49	49	49	48	46
Part-Time							
Finance & Administration	-	1	1	1	1	1	1
Currency Exchange	7	6	6	6	6	6	6
Janitorial	4	7	7	6	6	6	6
Tolls	7	4	4	4	4	4	4
Total Part-Time	18	18	18	17	17	17	17
Total Employees	**75**	**68**	**67**	**66**	**66**	**65**	**63**

General & Administrative

- Expenses will increase moderately by less than 1% in 2012 but decrease for the next two years until 2014 primarily due to a reduction in consulting fees.

Maintenance

- Expenses are based on maintenance schedules and requirements and should decrease in 2011 by almost 8% below the 2010 forecast and hold relatively steady through 2015 unless major bridge span repairs are required.

Interest Expense

- Based on the Bond Principal & Interest Schedule as identified in the Bond Prospectus plus interest from the debt financing required for the CBA and federal infrastructure projects.

Balance Sheet

Investments & Interest Accrued

- Adjusted to fund the requirements of the Master Capital Plan.

Bonds versus Bank Loan

- The cost-benefit and feasibility of reverting back to a credit facility of a Canadian chartered bank will remain an option to explore. The effect of maintaining the bond issue will continue to be built into this forecast. However a summarized version of the 3 options that had been considered is provided in the Borrowing Plan section. The review and re-justification of the Master Capital Plan merits such a review.

Overdraft/Operating Loan

- Debt financing will be required to fund the capital projects. Based on the projected revenue, the construction of the CBA Complex project and other capital requirements and our semi-annual bond payments, it is apparent that we will go into an overdraft/operating loan position with the bank during by January 2011. However, the borrowing level required will be well within our current lending ceiling of $125 million (including our outstanding bond payable).

Debt Reserve Service Fund

- In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC established a Debt Service Reserve Fund in the amount of $4.5 million. Thereafter the reserve must be at least equal to: (i) fifty percent (50%) of the Debt Service Amount, if the Gross Debt Service Coverage Ratio (GDSR) is less than 2.00:1.00; (ii) twenty-five (25%) of the Debt Service Amount if the GDSR is 2.00:1:00 or greater, but less than 3.00:1.00. In the event the GDSR is 3.00:1.00 or greater, BWBC is not required to maintain a balance in the Reserve Fund. Market value of the fund as at March 31, 2010 was $5.2 million.

  Note: As at August 31, 2010, the GDSR is expected to be 7.53:1.00 and the projected GDSR for 2011 Plan is 5.33:1.00. Since the forecasted ratios for 2011 through 2015 are all over 3.00, some funds have been transferred in fiscal 2010 to finance the capital projects. As at February 28th, 2010, $3.5 million or 39% of the debt service amount of $8.9 million for the year remains in the Debt Service Fund.

Operating and Maintenance Contingency Fund

- In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC established an Operating and Maintenance Contingency Reserve Fund in the amount of $2.0 million. Thereafter the reserve must be at least equal to twenty-five percent (25%) of the Operating and Maintenance expenses incurred by BWBC over the previous twelve (12) month period ending on the last day of most recently completed month. As at November 30th, 2009, the 25% minimum equaled $1.9 million while $2.4 million is expected to reside in the O&M reserve by August 31st, 2010. The ratios are calculated and reviewed quarterly and adjustments to the fund will be made as required. Operating and Maintenance expenses do not include amortization, extraordinary items arising from the early retirement of Borrowings or Subordinated Debt, or the interest on any Borrowings. Market value of the fund as at March 31, 2010 was $2.4 million.

Major Maintenance Reserve Fund

- Formerly known as the Bridge Painting Fund, BWBC established this reserve in Fiscal 2002. Contributions to the fund were made at BWBC's discretion but with the purpose of reserving funds for major items such as the bridge paintings and joint replacements. The most recent inspection was conducted January 2006. Upon reconfirmation from our independent consultant Buckland & Taylor, it was deemed that the inflation rate to be applied from that date to June 2008 should be 12.5%. Thus, current major painting estimates from Buckland & Taylor are for Bridge 1 - $18.6 million. Bridge 2 - $9.7 million. Due to the excellent condition of both bridges resulting from the high level of maintenance, the effective service life of the paint coating has been extended for another 20 to 30 years. Bridge 1 is now expected to need a complete repainting in 2024 and Bridge 2 in 2026-2031.

- In order to mitigate and reduce the anticipated debt financing which will be required to finance capital expenditures by January, no further contributions will be made to this reserve and when the existing bonds mature they will be redeemed and not reinvested. The market value of the fund as at March 31, 2010 was $5.1 million. The value of the fund (at cost) is included with Short-term / Long-term investments on the Balance Sheet. The balance will be re-couped in subsequent years when traffic recovers.

Capital Spending Budget

BWBC has completed a renewable long-term Master Plan for the Canadian Plaza. The plan is long-term in nature and will provide BWBC with a staged implementation plan for improvements to the Blue Water Bridge border crossing. The critical paths for completion of many of the projects have not been fully defined and as a result the scheduling of the projects will change. Phase I of the Master Plan was initiated in 2004 and will continue through to 2017.

With the **Capital Expenditures 2010-2015** projection, some of the capital spending has been deferred to future years. The timing of the future year's expenditures will change, as more details of the Master Plan are completed. Projects will be undertaken as priorities are identified and as cash flows permit. The values listed for most of the projects include G.S.T. Construction inflation is higher than the inflation applied against our expenses.

BWBC recognized in 2002 that in order to handle the future needs of the border crossing's stakeholders, major changes must be made and made quickly. In order to begin this dynamic process, BWBC completed the issuance of $110 million in bonds. A review of the **Balance Sheet** shows that the Short-and-Long-term investment account balances will be fully depleted by 2011.

The remaining balance relates to the investments not yet redeemed in the Major Maintenance Reserve Fund. Analysis of the **Statement of Cash Flows** also indicates that the Cash and equivalents balances will be in an overdraft/operating loan position by January 2011 through to 2013 and then again in debt 2014 and beyond. As various stages of the Master Plan are implemented the timing of the capital spending will shift in response to cash flows.

Capital Spending Projections	Total Value of Projects	Prior Years Actual	Fiscal 2009 Actual	2010 Fiscal Act & Fcst	2011 Fiscal Forecast	2012 Fiscal	2013 Fiscal	2014 Fiscal	2015 Fiscal
CBA Complex (including GST)	66,881,633	$ 3,787,368	$ 15,241,330	$ 29,435,134	$ 18,417,801	$ -	$ -	$ -	$ -
Federal Infrastructure Program:			$ -	$ -					
Vater Bridge Canadian Plaza and Bridge Enhancement	20,000,000	-	$ 579,235	$ 6,155,117	13,265,648				
Federal Funding of Infrastructure Projects	(10,000,000)		$ -	$ (3,588,073)	(6,411,927)				
Geographic Information System	614,500		$ 77,265	$ 30,177	60,000	265,240	88,778	93,040	
Nexus Alternate Lane	16,129		$ 3,501	$ 12,628	-				
Truck Ramp Improvements	16,140		$ 16,140	$ -	-				
Waterfront & Parkland	18,890		$ 18,890	$ -	-				
CCTV Cameras 402 Hwy	30,343		$ 30,343	$ -	-				
Eastbound 402 Light Standard	41,337		$ 41,337	$ -	-				
TIC Communication System	23,320		$ 23,320	$ -	-				
Accounting Software Systems	147,646		$ -	$ 47,646	20,000	20,000	20,000	20,000	20,000
Administration (Sharepoint) Software Systems	35,819		$ -	$ 35,819	-				
Currency Exchange ATM Machines	54,592		$ 54,592	$ -	-				
Administration Office Furniture - CBA Building	300,000		$ -	$ -	300,000				
Autos, Trucks & Construction Equipment:				$ -	-				
Truck Sweeper	215,933		$ 215,933	$ -	-				
Electric Truck	45,037		$ 45,037	$ -	-				
Loader Truck	152,074		$ -	$ 152,074	-				
Pickup Truck	240,000		$ -	$ 40,000	40,000	40,000	40,000	40,000	40,000
USD Bill Exchanger	80,000		$ -	$ 80,000	-				
Miscellaneous	561,773		$ 70,721	$ 31,052	60,000	100,000	100,000	100,000	100,000
Future Projects:			$ -	$ -	-				
CBSA Building	37,900,000		$ -	$ -	-		3,600,000	14,000,000	20,300,000
Currency Exchange/Public Washrooms	3,800,000		$ -	$ -	-				2,400,000
St. Clair Side of Plaza	4,300,000		$ -	$ -	-				
Toll Building	8,425,000		$ -	$ -	-				
	121,175,166	3,787,368	16,417,644	32,431,574	25,751,522	425,240	3,848,778	14,253,040	22,860,000

Note: the federal funding for infrastructure allows for up to $20 million in capital spending to be spent between April 1st, 2009 and March 31st, 2011. Also, of the $3.8 million for currency exchange/public washrooms, $1.4 million extends into fiscal 2016.

Major Capital Items

CBA Complex (Customs Commercial/Brokers/Immigration/Agriculture/BWBC Administration Complex)

{Total Cost $66.9M covering years 2008-2011}

This major complex will consist of office and secondary inspection space for a series of integrated functions including the Commercial Operation (trucking) portion of the Canada Border Services Agency, the Canadian Food Inspection Agency and various Customs Brokers. A preliminary review of the Master Capital Plan identified cost savings by adding a 4th floor for the BWBC Administration offices instead of having a separate building for BWBC administration. It will also include primary inspection booths, a canopy, and truck compound designed to accommodate Vehicle and Cargo Inspection System (VACIS). The complex will have a direct connection to the truck ramp which accesses Highway 402 eastbound. It replaces and consolidates these functions, currently situated at various locations around the plaza. The relocation is necessary to accommodate the new plaza design.

CBSA Traffic Building

{Total Cost $37.9M covering years 2014-2016}

The Customs Border Services Agency building will span over the Canadian bound traffic after it has cleared customs and inspection. The building will be composed of a glass-clad slab that spans the road and rests on two stone boxes on each side of the roadway. Parking and main staff entries for both components are on the non-secure Venetian Boulevard side. This building replaces the current facilities, which must be removed to accommodate the plaza re-design. The relocation of the BWBC Administration offices to the CBA Complex has altered the original building configuration. This building differs from the CBA complex in that it is a facility to accommodate the secondary inspection of cars and buses.

Infrastructure Project:
{Total Cost $20M for the years 2009 -2011; Federal funding $10.0 million}

The Blue Water Bridge Canadian Plaza and Bridge Enhancement Project:
This project includes the installation of various types of signs, displays including LED signage to provide real time, way finding and directional information to travelers; the electrical, communications, lighting and signage infrastructure to the plaza future new facilities, including new outbuildings and new utility grid feeders to each portion of the plaza and emergency back-up generation systems; plaza drainage and storm water pump stations, reconstruction of pavement structures, barrier walls, extension of existing parking lots, controlled access devices, primary inspection booths and plaza widening to accommodate the Highway 402 widening; relocation of the electrical and communication duct bank presently located in the concrete sidewalk on Span 2 to the underside of the bridge structure; the upgrading of the communication cabling scheme to an optic fibre air-blown system that will allow for future expansion of the system.

ASSESSMENT OF FORECASTED RESULTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of Canadian generally accepted accounting principles.

FINANCIAL RESULTS	2010	2009
	(Forecast)	(Actual)
(In thousands of dollars)	$	$
Revenues	21,548	21,258
Operating expenses	18,181	19,108
Operating income	3,367	2,150
Operating income/revenues	15.6%	10.1%

Introduction

The following analysis reviews the operations for the fiscal years ended August 31, 2010 (forecast) and 2009 (actual).

Operating Results

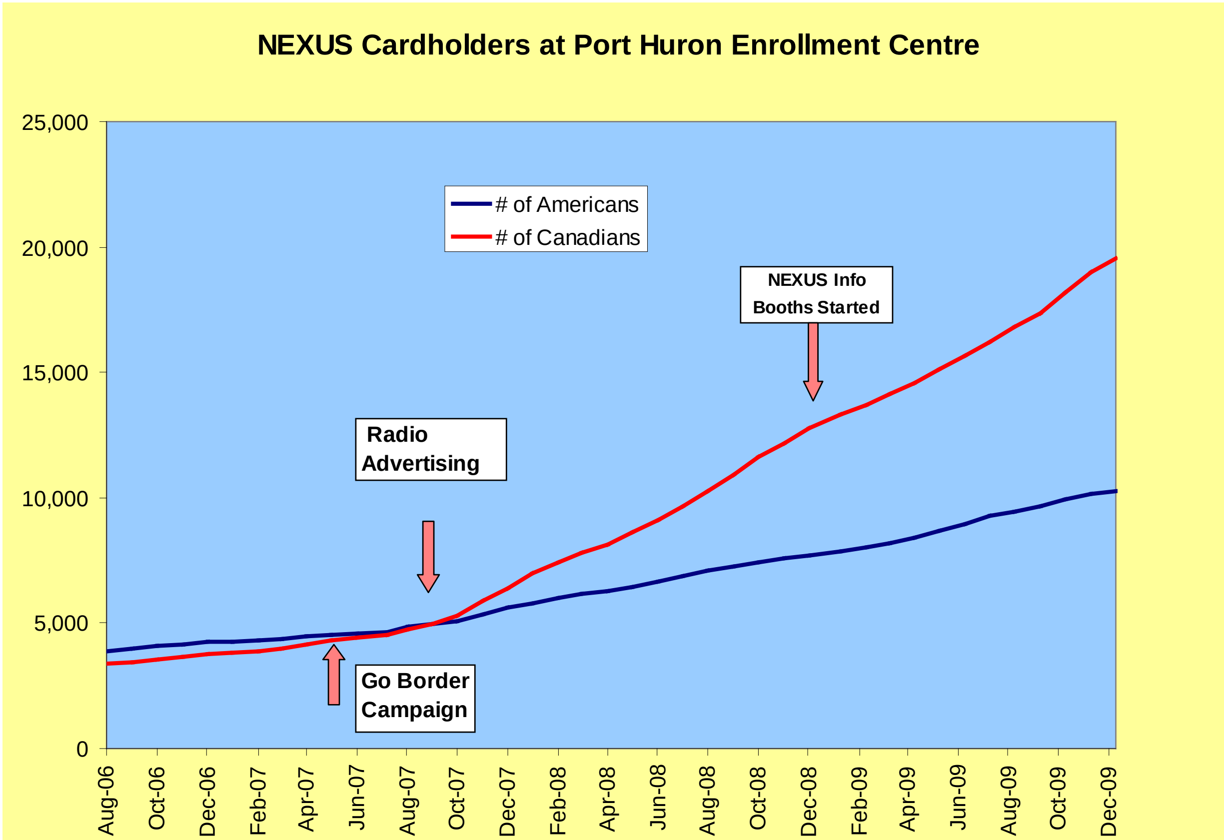
The percentage of forecasted operating income to forecasted revenues is 5.5% more than the percentage for the 2009 fiscal year.

Revenues

Revenues are derived from four primary sources: tolls and services, rents, currency exchange operations and interest and sundry income.

Tolls and Services Revenues

Forecasted tolls and services revenues will increase by 8.7% during 2010 compared with 2009 revenues. There appears to be a consistent, consecutive month-to-month recovery for manufacturing and thus, truck revenue is expected to increase by almost 10.0%. Car revenue will increase by 4.2% primarily due to the increase in Canadian travelers with the dollar almost at par with the U.S. dollar.



Tolls and services revenues from commercial vehicles will represent approximately 72.7% of all tolls and services revenues in fiscal 2010, (71.6%-2009), with revenue from passenger vehicles making up most of the balance remaining. Due to the strengthening of the Canadian dollar exchange rate losses of $10 thousand will occur by the end of 2010 ($22 thousand loss in 2009).

Rental Revenues

Rental property revenues will account for approximately 11.6% of all revenues in 2010 (12.2% - 2009). The most significant portion is derived from the rental of the duty-free shop to a private operator, with rent dependant in part upon the gross revenues of the operator.

Currency Exchange Operations

BWBC operates a currency exchange, with its primary customers being travelers coming from and going to the United States. Revenue from currency exchange operations will be approximately 5.9% of total revenue in 2010 (5.2% - 2009).

Interest and Sundry Revenue

The balance of revenue is derived from investment of surplus cash and monies set aside in restricted funds.

Expenses

Operating expenditures are incurred in five main areas: general and administrative expense, human resources, interest on long-term debt, maintenance and other expenses and amortization.

General and administrative expenses include consulting and other professional fees, public relations, office, insurance, municipal taxes and miscellaneous expenses.

Human resources include salaries and wages paid to toll collectors, accounting, administrative, currency exchange employees, maintenance, janitorial and project management staff. Employee benefits include statutory benefits, vacation pay, employee pension, health benefits, life insurance and some other miscellaneous benefits and are 42.1% of salary for 2010 and 41.3% of salary for 2010 and beyond. However, vacation pay – which should be viewed as part of salary/wage remuneration - and some miscellaneous benefits (uniforms, dry cleaning, computer purchases and overtime meals) represent 10.4% of the “benefit” costs, reducing the overall benefit ratio to salary to 36.6%.

For the year 2010, interest on long-term debt relates solely to the bond debt of $94.1 million (balance as at August 31, 2009).

Maintenance and Other expenses include maintenance supplies and services, road, building and bridge repair, snow removal and landscaping.

Amortization includes amortization on property, plant and equipment and on deferred bond financing charges.

Factors Affecting Operating Income

The profitability of BWBC is affected by a number of factors, including seasonality, fluctuating exchange rates, the strength/weakness of both the U.S. and Canadian economies and in more recent years, tourism in the Point Edward and Sarnia areas. If the general public perceives that they will regularly encounter lengthy delays whenever they might prefer to cross the border they will delay or cancel their intended trips.

Profitability is largely dependent upon strong economies in both the U.S. and Canada. When the U.S. economy is expanding, exports of Canadian products tend to rise. An expanding Canadian economy will also result in an increase in the flow of goods and services across the border. With the Blue Water Bridge being one of the major international crossings in North America, its revenues and thus its profitability improves with the increase in activity.

Seasonality is also a factor in the profitability of BWBC. While truck traffic tends to be fairly steady throughout the year, car traffic is at its heaviest during the months of May to October, which is traditionally the vacation period in North America. Volumes are forecasted to increase in 2010 based on short-term traffic volume trends experienced between September 2009 and February 2010.

Sales volumes at both the duty-free shop and currency exchange have a direct relationship with changes in the Canadian dollar and with traffic volumes at the Blue Water Bridge. The significant strengthening of the Canadian dollar is having a dampening effect on the proportion of Americans coming into Canada. Although this very same factor would make it logical to expect more Canadians to cross over into the United States, while there has been a moderate increase in the level of Canadian traffic, there is not enough to compensate for the decline in American traffic. This appears to be primarily due to the Canadian (& American) general public perception that they will be unnecessarily delayed at the border as a result of increased security inspections and lack of infrastructure on the American plaza side.

Increased sales activity as a result of increased traffic volumes translates into additional rental income to the Blue Water Bridge. Similarly, increased activity at the currency exchange results in additional revenues and, with expenses relatively fixed an increase in net income.

The strength of the Canadian dollar also has a direct influence on the income of the duty-free store and the currency exchange operations. As the Canadian dollar approaches parity with the

U.S. dollar fewer American shoppers purchase goods at the duty-free store and the currency exchange department has a narrower margin on which to charge exchange.

Period over Period Comparisons

Years ended August 31, 2010 and 2009

Revenues

Revenues from tolls and services are forecasted to increase to $16.8 million in fiscal 2010 from $15.5 million in the preceding year.

Truck toll revenue will increase from $11.0 million in 2009 to a forecasted $12.1 million in 2010. This represents an increase of 10.0% which results from a 7.9% increase in commercial volume in 2010.

Forecasted revenue from passenger car tolls will increase from $4.4 million in 2009 to $4.6 million in 2010. This represents an increase of 4.2% in revenue, which results from a 1.4% increase in car volume in 2010.

Rental revenue will decrease from $2.6 million in fiscal 2009 to a forecasted $2.5 million in 2010 due to the renegotiation of commercial leases to lower rates to be more competitive with the local market for retail space. Interest income will decrease from $2.1 million in 2009 to $0.9 million in 2010 due to the redemption of investments upon their maturity to fund the capital projects program and due to the lower interest rates received upon shorter-term reinvestment of redemptions and on U.S. cash balances held by BWBC.

Expenses

Forecasted total expenses will decrease from $19.1 million in fiscal 2009 to $18.2 million in 2010.

General and administrative expenses are forecasted to decrease from $1.6 million in fiscal 2009 to $1.5 million in 2010. In response to the prolonged multi-year decline in traffic volume up to October 2009, continued diligence is creating broad decreases across all expense accounts.

Expenditures on human resources are forecasted to decrease from $6.1 million in 2009 to $5.1 million in 2010 primarily due to the 2009 recognition of voluntary/involuntary buyout packages totaling $0.7 million - 1 full-time and 7 part-time Toll employees and to the departures of the HR Manager and Receptionist. The balance of the savings will be from the lower employee base commencing September 1st, 2009.

Interest expense will decrease by $0.2 million due to the declining bond payable balance.

Maintenance and other expenses are forecasted at $1.3 million in fiscal 2010, $0.1 million higher than occurred in 2009.

Cash Flow

The net cash position will increase by $8.2 million. Cash from operations is expected to be $7.7 million along with a net redemption in investments of $31.6 million, net collection of receivables of $0.6 million and increase in payables of $3.3 million (due to construction holdbacks) against which $32.4 million in capital projects and assets will be expended, along with a $2.9 million pay down of the bond principal.

Capital Program

Capital additions in the 2010 fiscal year are forecasted to be $32.4 million, of which the major contributor for the year will be the ongoing construction for the CBA Complex Plaza Improvements.

Blue Water Bridge Canada

Summary of Financial Results

	Actual	Forecast	Plan Period				
	2009	2010	2011	2012	2013	2014	2015
(In Thousands)	$	$	$	$	$	$	$
Statement of Operations							
Revenue							
Tolls and Service Revenue	15,465	16,821	17,955	18,182	18,362	18,546	18,733
Other	5,793	4,727	4,315	4,299	4,405	4,326	4,336
	21,258	21,548	22,270	22,481	22,767	22,872	23,069
Expenses	19,108	18,181	20,312	20,826	20,122	19,682	19,438
Net Income	2,150	3,367	1,958	1,655	2,645	3,190	3,631
Balance Sheet							
Assets							
Current	43,051	29,217	4,299	6,896	9,308	1,265	848
Long-term Investments	8,118	-	-	-	-	-	-
Property, Plant, Equipment	132,764	161,202	180,459	173,535	170,481	178,252	195,025
Restricted Assets	8,177	5,833	5,898	5,937	6,064	6,187	6,312
Total Assets	192,110	196,252	190,656	186,368	185,853	185,704	202,185
Liabilities and Equity							
Current	10,200	13,697	6,052	6,243	6,461	6,692	6,936
Employee Future Benefits Liability	4,029	4,396	4,790	5,146	5,500	5,905	6,311
Long-term debt - Bank Loan	-	-	2,986	-	-	-	16,434
Long-term debt - Bond Issue	91,202	88,113	84,823	81,319	77,587	73,611	69,377
Equity	86,679	90,046	92,005	93,660	96,305	99,496	103,127
Total Liabilities and Equity	192,110	196,252	190,656	186,368	185,853	185,704	202,185
Statement of Cash Flows							
Operating Activities							
Net Income	2,150	3,367	1,958	1,655	2,645	3,190	3,631
Non-Cash Items	4,697	4,609	6,890	7,705	7,257	6,887	6,493
Changes in Working Capital Items	(10,796)	25,114	(39)	(187)	1,171	2,434	(24)
	(3,949)	33,090	8,809	9,173	11,073	12,511	10,100
Investing Activities							
Proceeds on disposal	104	-	-	-	-	-	-
Purchase of Property, Plant, Equipment	(16,434)	(32,432)	(25,752)	(425)	(3,849)	(14,253)	(22,860)
(Increase) Decrease in Long-term investments	15,271	8,118	-	-	-	-	-
(Increase) Decrease in Restricted Assets	505	2,345	(65)	(39)	(127)	(124)	(125)
Financial Activities	(2,723)	(2,900)	(3,089)	(3,290)	(3,504)	(3,733)	(3,976)
	(3,277)	(24,869)	(28,906)	(3,754)	(7,480)	(18,110)	(26,961)
Cash and Cash Equivalents							
Increase (Decrease) in Cash	(7,226)	8,221	(20,097)	5,419	3,593	(5,599)	(16,861)
Balance at Beginning of Year	16,116	8,890	17,111	(2,986)	2,433	6,026	427
Balance at End of Year	8,890	17,111	(2,986)	2,433	6,026	427	(16,434)

Blue Water Bridge Canada

Summary of Operating Budget

Statement of Operations

For the Years Ending August 31	2008-2009 Actual	2009-2010 Budget	2009-2010 Forecast	2010-2011 Budget
(In Thousands)	$	$	$	$
Revenue				
Tolls and Service Revenue	15,465	14,194	16,821	17,955
Other	5,793	4,695	4,727	4,315
	21,258	18,889	21,548	22,270
Expenses				
Interest on long-term debt - Bond Issue	6,138	5,959	5,959	5,769
Human Resources	6,065	4,919	5,126	5,208
Amortization	4,154	3,812	3,993	6,495
General and administrative	1,576	1,540	1,544	1,557
Maintenance & other expenses	1,242	1,349	1,309	1,207
Interest on long-term debt - Bank Loan	-	105	-	76
(Gain) loss on disposal of assets	(67)	-	250	-
	19,108	17,684	18,181	20,312
Excess of revenues over expenses	2,150	1,205	3,367	1,958

Blue Water Bridge Canada

Summary of Capital Budget

For the year ending August 31	2009-2010 Forecast	2009-2010 Budget	2010-2011 Budget
Capital Spending			
(in thousands)	$	$	$
Canadian Plaza Improvements CBA Complex	29,435	38,082	18,418
Federal Infrastructure Program:			
BWBC Plaza and Bridge Enhancement	6,155	16,366	13,266
Federal Funding of Infrastructure Projects	(3,588)	(4,500)	(6,412)
Security - Perimeter/Decorative Fence		400	
Geographic Information system	30	139	60
Accounting Software Systems	48	40	20
Administration Software Systems	36		
Administration Office Furniture - CBA Building			300
Currency Exchange ATM Machines	80		
NEXUS Bypass Lane	13		
Autos, Trucks & Construction Equipment:			
Loader Truck	152		
Pickup Truck	40	40	40
Miscellaneous	31	100	60
	32,432	50,667	25,752