

safe



Highway 104 Western Alignment Corporation
Annual Report 1999/2000

efficient

FACTS AT A GLANCE



- 45 kilometres between Masstown and Thomson Station
- Twinned, four-lanes
- Wide median: 22.6 metres
- 110 km/hr
- Five full interchanges
- Six major bridges
- Five large tunnels under the road for access to land parcels, snowmobile trails and wildlife passages
- 18 kilometres of access roads
- Constructed by Atlantic Highways Corporation, a subsidiary of Canadian Highways International Corporation, in 20 months. (A national industry publication called Cobequid Pass the fastest highway ever to be designed and constructed in Canada.)
- The 104 Corporation contracts the management of the toll plaza to Atlantic Highways Management Corporation
- Opened November 15, 1997
- Average daily traffic: cars - 5,932; commercial vehicles - 1,555

LETTERS TO STAKEHOLDERS

Lee Rankin, President

Highway 104 Western Alignment Corporation

Cobequid Pass provides a safe and efficient highway in and out of Nova Scotia for all users—truckers, tourists, commuters, business travelers and local residents. As in previous years, the volume of traffic exceeds original expectations.

This fiscal year, increased traffic and the resulting revenues allowed the Corporation to retire the Subordinate debt significantly ahead of schedule. It is the Corpora-

tion's intent to continue on a program of debt reduction aimed at retiring the Junior Bond issue by the year 2004.

Our focus as the highway matures is to provide a superior level of customer service to meet the high expectations of the public. Our success is measured not only by high traffic volumes, but also in

the many letters we still receive from drivers praising the highway's efficiency, safety and beauty.

Needless to say, we extend this excellence in service to our partners and shareholder, the Province of Nova Scotia. Recently, the government of Nova Scotia enacted legislation to provide for more accountability in the financial affairs of government business enterprises, such as the Highway 104 Western Alignment Corporation. We welcome this initiative, and, as in the past, we will work hard to meet all government requests and requirements to its satisfaction.

During the past year, the Corporation initiated a process to address warranty items under our Warranty Agreement that expires in November 2000. This proactive approach resulted in the resolution of all warranty items to the benefit of the Corporation. There has been no need to go to arbitration.

Such measures ensure Cobequid Pass remains a first class facility for drivers. We are also ensuring that the Highway 104 Western Alignment Corporation remains a first class business operation, trusted by partners, and responsive to government.

Don Piercey, General Manager

Highway 104 Western Alignment Corporation

The second full year of operation for Cobequid Pass has presented a range of challenges to the Highway 104 Western Alignment Corporation, due largely to the exceptionally high usage the facility continues to enjoy.

Traffic on Cobequid Pass totalled 2.2 million passengers and 567,000 commercial vehicles for the fiscal year ending March 31, 2000. These figures represent a six per cent increase in total traffic over the fiscal year ending March 31, 1999. This significant increase demonstrates a high degree of acceptance of Cobequid Pass and its management.

We strive to earn this ongoing acceptance with high quality customer service and facility maintenance. We have provided greater contributions to our Major Maintenance Reserve Fund and have installed advance warning and information signs on the highway.

More improvements are in the early stages of planning: expanded public washrooms and a new toll plaza security system. We feel these improvements can be made while still limiting overall operating cost increases, as we proved in the 1998/99 fiscal year.

One of our upcoming challenges is to increase the use of Electronic Toll Collection (ETC). Thirty-six per cent of the total traffic volume use ETC. However, 90 per cent of this volume is commercial traffic. While ETC transponder sales have increased by 1,700 units this fiscal year to a total of 14,700, and although the number of ETC accounts has gone to 8,334 from 8,000, ETC use by passenger vehicles remains at 3.5 per cent of the total traffic volume.

This figure has remained constant since the facility opened in November 1997, despite the ETC subsidy program allowing passenger vehicles a 50 per cent reduction in the toll rate. The Corporation is exploring the feasibility of one transponder and one account that can be used on the majority of toll facilities in the Maritime provinces.

In addition to the Corporation's Audited Financial Statements, this annual report outlines the history of the Highway 104 Western Alignment Corporation and the creation of Cobequid Pass. Our financial statements illustrate the Corporation's financial position, and detail how toll revenues are spent. Toll revenues remain the Corporation's sole source of funding.

Staff of the 104 Corporation are always happy to answer any questions you have. Information on how to reach us is on the back.



Amherst

Oxford

Thomson Station

Wentworth

Londonderry

Masstown

Glenholme

Truro

- Alignment location
- Interchange locations
- T Toll Plaza location

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ADMINISTRATION AND ACCOUNTABILITY

Background

Creating the Highway 104 Western Alignment Corporation was key to creating Cobequid Pass. Unique to infrastructure financing in Canada, the Corporation is neither a Crown corporation, nor an agent of the Crown. Its sole purpose, by statute, is to manage the financing, design, construction, operation and maintenance of Cobequid Pass.

The Corporation's mandate is to manage toll revenues until the year 2026, and maintain the schedule set to repay investors and fund annual and long term maintenance. The Corporation's sole source of revenue is tolls.

Because the funding for Cobequid Pass flows only through the 104 Corporation, the highway's debt does not belong to the province of Nova Scotia, nor does the province guarantee the debt. However, because public monies are involved in the highway's financing, and because the 104 Corporation is wholly owned by the Crown, its operations may be scrutinized annually by the Auditor General.

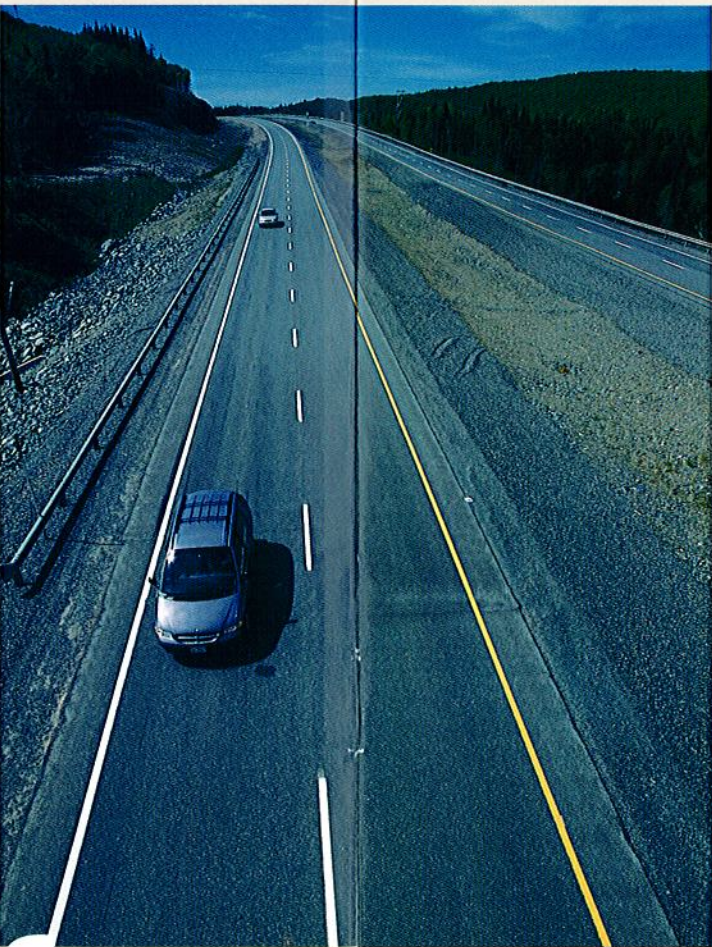
Operating independent of government, the 104 Corporation is the entity that permitted non-recourse financing, meaning private investors can lay no claim on government assets or money in the unlikely event toll revenue should fail to provide a return on investment.

Administration

One of the Corporation's primary administrative responsibilities is ensuring toll revenue is collected and distributed according to the agreements signed by the government of Nova Scotia, Atlantic Highways Corporation, CIT Structured Finance formerly Newcourt Credit Group, the bondholders' representative, the Nova Scotia Department of Finance as the noteholders' representative, and the 104 Corporation.

This responsibility includes maintaining budget control, issuing payment directives, and ensuring that parties to the agreements are meeting obligations in a timely fashion. It also means keeping communication lines open and direct between all parties.

The administration of the Highway 104 Western Alignment Corporation is led by its General Manager, Don Piercey, who has operated in this capacity since construction began, and by the Controller, Athena Koros, CMA, an employee of the Corporation since the highway opened. Patricia Belleza provides support.



Accountability

The financial activities of the Corporation are carefully scrutinized by its auditors Grant Thornton and by Newcourt Credit.

Detailed reports of the highway's operation are given to the Deputy Minister of the Department of Transportation and Public Works, and he in turn informs the Minister of Transportation and Public Works as the owner. The Minister is well equipped to respond to questions from the public, Cabinet, the Priorities and Planning Committee, Members of the Legislative Assembly, and the media, as is the Corporation's General Manager.

The Highway 104 Western Alignment Corporation is represented on the Department of Transportation and Public Works' Steering Committee, and meetings are scheduled regularly with Atlantic Highways Management Corporation executives at the toll plaza.

The Auditor General of Nova Scotia has the right to review the 104 Corporation's activities.

Maintenance

With a budget of \$650,000, adjusted annually for inflation, the Department of Transportation and Public Works provides maintenance on Cobequid Pass under the terms of the Annual Maintenance Agreement. To date, most work on Cobequid Pass has been snow and ice removal, and line painting.

Repairs made to Cobequid Pass over the past fiscal year include three areas of settlement and pavement rutting at the toll plaza. These were made under the Atlantic Highways Management Corporation's three-year warranty at no cost to the province.

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Atlantic Highways Management Corporation

The toll operations are run by Atlantic Highways Management Corporation (AHMC), a subsidiary of the contractor, Atlantic Highways Corporation (AHC). Both are owned by Canadian Highways International Corporation (CHIC). AHC has guaranteed the highway for three years, an unprecedented warranty period, and any deficiencies are repaired at their expense.

The electronic tolling system managed by AHMC links vehicles carrying a transponder to a computerized account and automatically deducts the toll. Developed by SIRIT Inc., the system provides for automatic toll collection and cash transactions with built-in audit capabilities. Seventeen hundred transponder units were sold this fiscal year.

AHMC employs 37 people at the toll plaza, most from Cumberland-Colchester. The Corporation actively supports local non-profit organizations, particularly those involved in youth activities. AHMC has provided funding to softball and hockey teams, local schools and the Great Village Fire Department.

CHIC is a consortium of four project management, engineering and construction companies: AGRA Monenco Inc., Ambro Construction Ltd., BFC Construction Corporation, and Dufferin Construction Company, a division of St. Lawrence Cement Inc.



Community Involvement — Funding for the Wentworth Elementary School Library



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How COBEQUID PASS AND ITS ONGOING MAINTENANCE ARE FUNDED



Cobequid Pass is the only highway in Nova Scotia that required a relatively small one-time initial investment from governments for its construction. It is also the only highway that covers the cost of its annual and long-term maintenance over a 30-year period.

The terms of the agreement between the partners detail how toll revenue is used to repay investors, cover toll operations, and fund long and short term maintenance.

It's a complex agreement. Here's how it works:

Funding	Amount	Provided by
Senior Bond Issue	\$51.0 million	Newcourt Credit
Junior Bond Issue	\$9.9 million	Newcourt Credit
Subordinate Notes	\$5.5 million	Province of Nova Scotia
Equity	\$1	Province of Nova Scotia
Interest Earnings		From all investments and bank accounts
Federal Funding	\$27.5 million	Government of Canada
Provincial Funding	\$27.5 million	Government of Nova Scotia

Operations

The **Project Account** was established to:

- Pay the Highway 104 Western Alignment Corporation's ongoing administrative costs
- Pay operating and maintenance costs for Cobequid Pass.

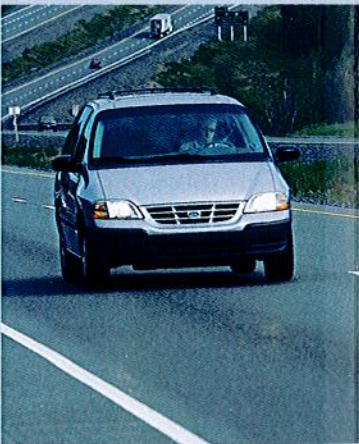
Every month the 104 Corporation transfers any cash balance from the Project Account into the Capital Reserve Account. By agreement, the Project Account keeps only a balance equal to two months of its operating/administrative budget.

The sources of cash for the Project Account are:

- Toll revenue
- Any cash not used during construction
- Investment interest

The **Capital Reserve** account is used to:

- Pay Trustee fees
- Pay accrued unpaid interest
- Pay senior bond debt and junior bond debt as per scheduled quarterly repayment dates
- Meet the minimum funding requirements of the Debt Service Reserve Account if required. (The Debt Service Reserve Account must be funded at one full year of Senior Debt Payments, according to the amortization schedule, at any given time.)
- Meet the funding requirements of the Major Maintenance Reserve Fund (see page 5)
- Pre-pay the debt



The sources of cash for the Capital Reserve account are:

- The Project Account: All monies in excess of two months operating and administrative budget are deposited to the Capital Reserve Account
- All excess funds in the Debt Service Reserve Account (DSRA). The DSRA, on any given bond principal and interest payment date, can only hold the scheduled Senior Bond repayments for the following 12 month period.

Senior Debt Service Coverage Ratio (DSCR)

The Senior Debt Service Coverage Ratio must be 1.2:1 at any time during the first 36 months after December 31, 1997, the Date of Acceptance, and 1.3:1 at any time after the 36th month after the Date of Acceptance.

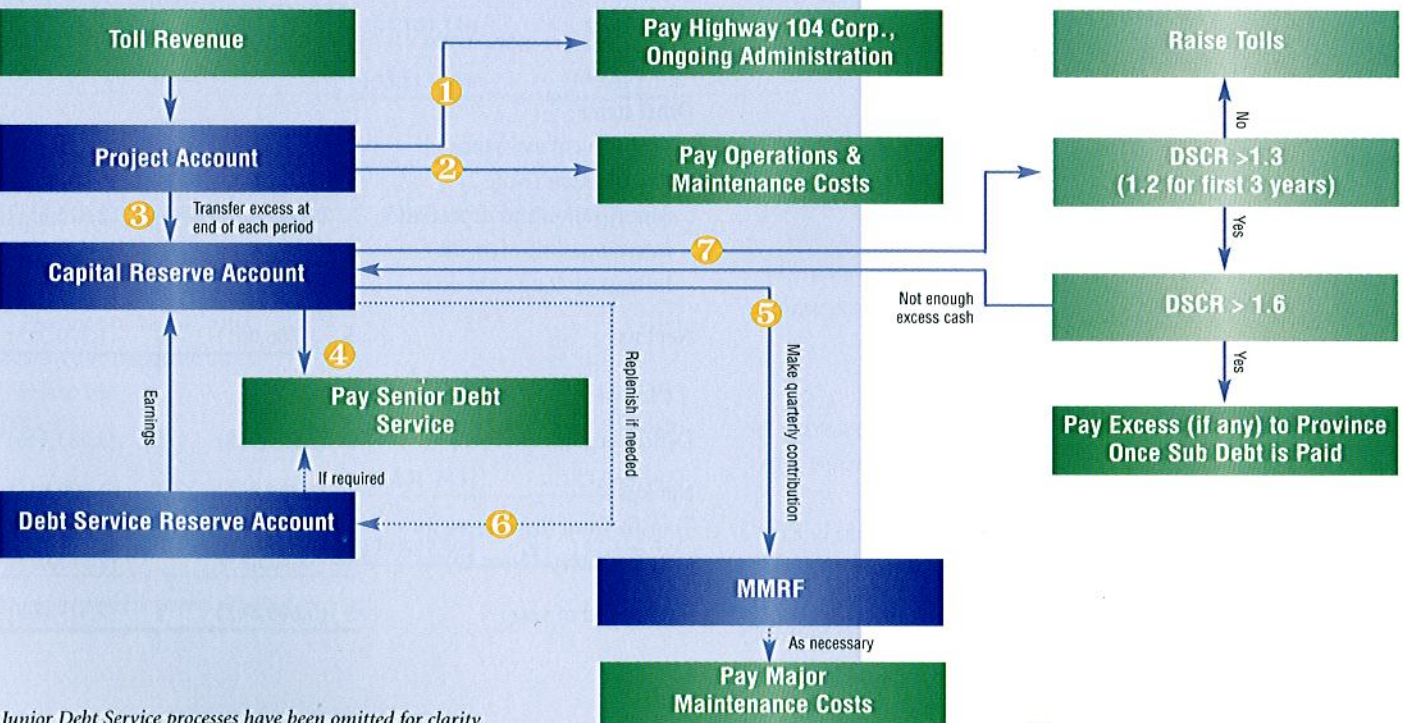
If the Senior Debt Service Ratio is larger than 1.3:1 but less than 1.6:1 then all funds in excess of expenditures and bond repayment are accumulated in the Capital Reserve Fund where they are placed in permitted investments.

Major Maintenance Reserve Fund (MMRF)

The Major Maintenance Reserve Fund ensures that once the three-year warranty runs out on the highway there are funds available to pay for major maintenance costs such as repaving.

The first contribution to the MMRF fund came from the Subordinate Notes which were issued in November 1997. This was a total amount of \$500,000. The Financing Agreements require that specific quarterly contributions be made to the MMRF from the Capital Reserve Fund.

Cash Flow Diagram



Junior Debt Service processes have been omitted for clarity

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AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2000, and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants
Halifax, Canada
June 16, 2000

Highway 104 Western Alignment Corporation Statements of Loss and Deficit

Year Ended March 31	2000	1999
Revenue		
Facility revenue	\$ 11,004,086	\$ 10,452,829
Interest income	465,247	588,722
	<u>11,469,333</u>	<u>11,041,551</u>
Expenses		
Bondholder representative fees	95,345	110,343
Trustee fees	29,442	43,181
Salaries and benefits	157,197	149,909
Office	38,921	30,669
General and administrative	142,923	121,741
Enforcement	60,000	60,000
Independent engineer	39,028	37,277
Routine maintenance	656,504	650,004
Facility operations	1,421,901	1,361,015
Transponders	52,669	123,923
	<u>2,693,930</u>	<u>2,688,062</u>
Earnings before other items	8,775,403	8,353,489
Other items		
Government assistance amortization (Note 2)	991,206	846,222
Amortization and depreciation	(2,347,437)	(2,013,831)
Interest on line of credit	-	(47,088)
Interest on long term debt	(8,205,233)	(8,509,337)
	<u>(786,061)</u>	<u>(1,370,545)</u>
Net loss	\$ (786,061)	\$ (1,370,545)
Deficit, beginning of year	\$ (7,529,068)	\$ (3,583,446)
Net loss	(786,061)	(1,370,545)
Transfer from (to) reserve for restricted assets (Note 10)	2,705,237	(2,575,077)
	<u>2,705,237</u>	<u>(2,575,077)</u>
Deficit, end of year	\$ (5,609,892)	\$ (7,529,068)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation Balance Sheet

March 31	2000	1999
Assets		
Project bank accounts	\$ 356,139	\$ 512,103
Inventory	26,645	14,214
Prepays (Note 3)	259,354	192,248
Receivables (Note 4)	597,266	175,180
Restricted assets (Note 5)	7,798,974	10,504,211
Facility (Note 6)	119,662,832	121,907,867
Deferred costs (Note 7)	981,385	1,130,701
	<u>\$ 129,682,595</u>	<u>\$ 134,436,524</u>
Liabilities		
Payables and accruals	\$ 850,976	\$ 1,946,365
Deferred revenue	481,748	447,952
Long term debt (Note 8)	78,733,976	80,649,045
Payable to the Province of Nova Scotia (Note 9)	250,000	250,000
Deferred government assistance (Note 2)	53,197,138	54,188,344
	<u>133,513,838</u>	<u>137,481,706</u>
Shareholder's Deficiency		
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 10)	1,778,648	4,483,885
Deficit	(5,609,892)	(7,529,068)
	<u>(3,831,243)</u>	<u>(3,045,182)</u>
	<u>\$ 129,682,595</u>	<u>\$ 134,436,524</u>

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation Statement of Cash Flows

Year Ended March 31	2000	1999
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (786,061)	\$ (1,370,545)
Government assistance amortization	(991,206)	(846,222)
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	2,347,437	2,013,831
	<u>605,604</u>	<u>(167,502)</u>
Change in non-cash operating working capital (Note 11)	(1,563,217)	2,008,617
	<u>(957,613)</u>	<u>1,841,115</u>
Financing		
(Decrease) increase in long term debt	(1,915,069)	360,947
Government assistance	-	11,655
	<u>(1,915,069)</u>	<u>372,602</u>
Investing		
Decrease (increase) in restricted assets	2,705,237	(2,575,065)
Warranty settlement	362,668	-
Construction of facility	(351,187)	(222,084)
	<u>2,716,718</u>	<u>(2,797,149)</u>
Net decrease in cash and cash equivalents	(155,964)	(583,432)
Cash and cash equivalents, beginning of year	512,103	1,095,535
Cash and cash equivalents, end of year	<u>\$ 356,139</u>	<u>\$ 512,103</u>

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS March 31, 2000

1. Nature of operations

The Corporation has been established for the purpose of financing, design, construction, operation and maintenance of the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. Summary of significant accounting policies

Pre-operating and operating periods - The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility - The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Deferred costs - start up - Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and are being amortized to operations, on a pro-rata basis, over a five year period commencing at the start of the operating period.

Deferred costs - financing fee - Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance - Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents - Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Use of estimates - In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids	2000	1999
Operating expenses	\$ 29,946	\$ 27,840
Advance to operator	229,408	164,408
	\$ 259,354	\$ 192,248

4. Receivables	2000	1999
Provincial supplemental payments	\$ -	\$ 5,855
Interest	-	2,724
Harmonized Sales Tax	61,305	85,172
Other	535,961	81,429
	\$ 597,266	\$ 175,180

5. Restricted assets		2000	1999
	Cash	Investments	Total
Senior debt service reserve account	\$ 681	\$ 4,769,824	\$ 4,770,505
Capital reserve account	137	1,818,156	1,818,293
Major maintenance reserve account	51	1,210,125	1,210,176
	\$ 869	\$ 7,798,105	\$ 7,798,974
			\$ 10,504,211

Investments are recorded at cost, have a weighted average term of 6.55 months to maturity and a weighted average interest rate of 5.77%. The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account.

This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility		2000	1999
	Cost	Accumulated Depreciation Net book Total	Net book Total
Facility	\$ 124,419,270	\$ 4,756,438	\$119,662,832
			\$121,907,867

7. Deferred costs	2000	1999
Start up	\$ 303,685	\$ 417,567
Financing fees	677,700	713,134
	\$ 981,385	\$ 1,130,701

8. Long term debt	2000	1999
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of \$2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	\$ 66,491,913	\$ 64,406,982

Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of \$503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	12,242,063	12,242,063
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Subordinated notes bearing interest at 13.4%, interest only is payable monthly out of excess cash, to the extent it is not paid, it will be compounded semi-annually in arrears, quarterly principal repayments are to begin when surplus cash is available. The notes are expressly subordinated and postponed in right of payment to the senior toll revenue bonds and the junior toll revenue bonds.	-	4,000,000
	\$ 78,733,976	\$ 80,649,045

Minimum principal repayments required will begin in year 2002 and are as follows:

2002	\$ 725,000
2003	806,000
2004	897,000

9. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced \$250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll

rates are increased back to the original rates laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

10. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2000	1999
Reserve for restricted assets, beginning of year	\$ 4,483,885	\$ 1,908,808
Transfers from project account	8,405,000	10,129,646
Interest income	440,335	558,387
Long term debt payments, including interest	(10,084,868)	(8,112,956)
Rebate to Province	(1,465,704)	-
	(2,705,237)	2,575,077
	\$ 1,778,648	\$ 4,483,885

Reserve for restricted assets, end of year

11. Supplemental cash flow information

	2000	1999
Change in non-cash operating working capital		
Inventory	\$ (12,431)	\$ (2,077)
Prepays	(67,106)	21,782
Receivables	(422,086)	1,023,402
Payables and accruals	(1,095,390)	777,648
Deferred revenue	33,796	187,862
	\$ (1,563,217)	\$ 2,008,617

Cash and cash equivalents consist of:

Cash on hand and balances with banks	\$ 356,139	\$ 512,103
Interest paid	\$ 6,084,868	\$ 8,112,957

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

Omnibus Agreement

Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfil its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

The Province contributed \$55,000,000 to the project.

Operating Agreement

Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

Major Maintenance Reserve Fund Agreement

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is \$50,000.

Annual Roadway Maintenance Agreement

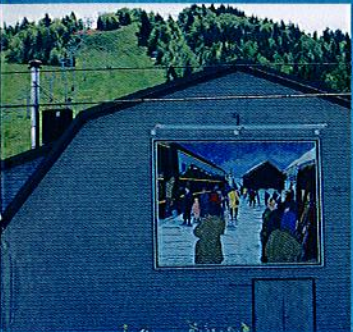
Five year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of \$650,000 commencing April 1, 1999 and subsequently adjusted thereafter for inflation.

Other

The Corporation has also entered into various lease agreements for equipment and office space. The minimum lease payments for the next year is as follows:

2001	\$ 7,347
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FINANCING



Wentworth Elementary School's award winning mural funded by the Corporation.

Cobequid Pass was built as a public-private partnership that allowed the government to make an affordable financial contribution to build this much-needed highway.

- Construction cost: \$112.9 million
- Provincial contribution: \$27.5 million
- Federal contribution: \$27.5 million
- \$5.5 million in subordinated notes invested from the provincial pension fund
- \$60.9 million provided by the sale of bonds to private investors underwritten by Newcourt Credit Group of Toronto
- Toll revenues over 30 years will provide the investors a return; pay for toll operations; cover the \$650,000 for annual maintenance provided by the Nova Scotia Department of Transportation and Public Works; and contribute to long-term maintenance.
- The money borrowed from the private sector by the Highway 104 Western Alignment Corporation through Newcourt Credit Group is borrowed on the security of tolls not on the financial guarantees of the province.
- \$3 per car; \$2 per axle for trucks over five tonnes, \$4 per recreational vehicle.
- \$40 to buy a transponder, an electronic devise mounted on a vehicle to automatically deduct tolls from a pre-paid computerized account.





HIGHWAY 104

**Highway 104 Western
Alignment Corporation**

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