

Highway 104 Western Alignment Corporation



Annual Report 2000/2001

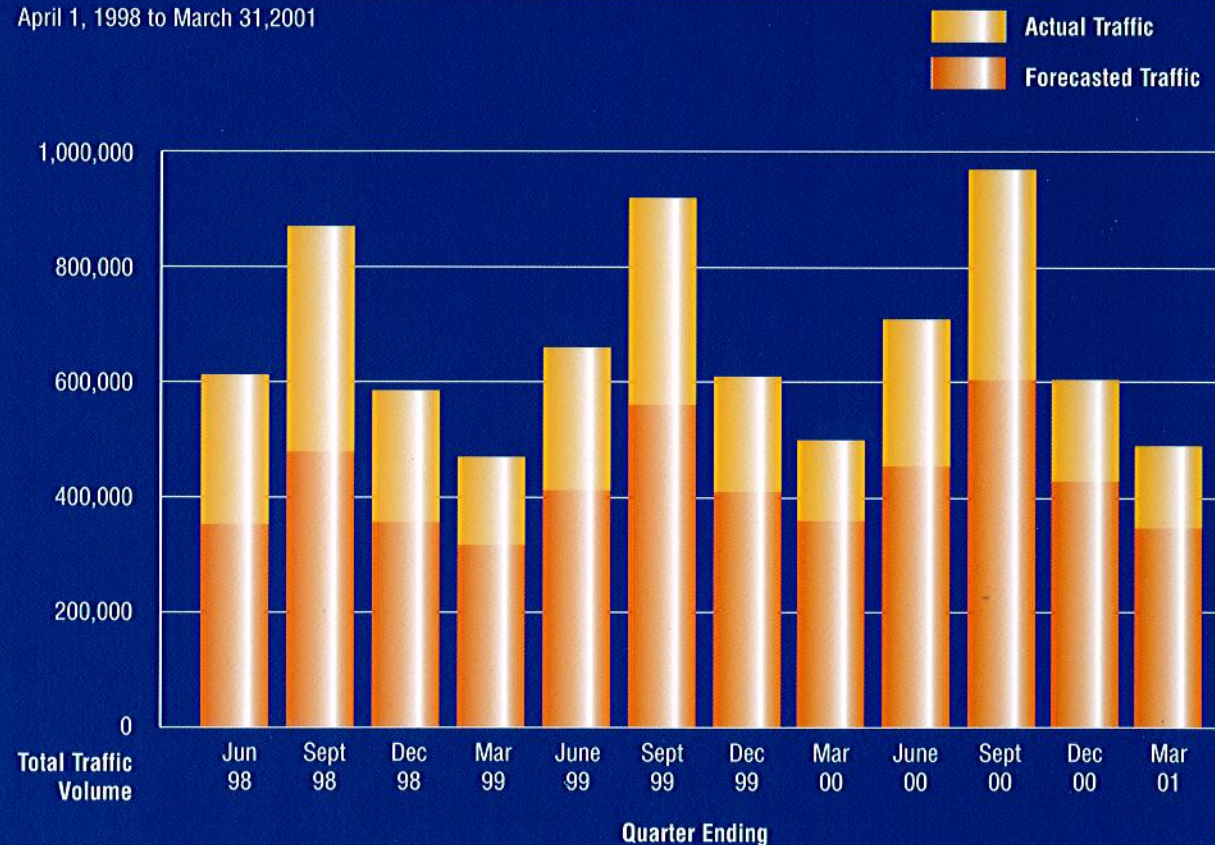
Maintaining a high standard

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 - 6015; commercial vehicles - 1598

Forecasted Traffic versus Actual Traffic

April 1, 1998 to March 31, 2001



Letters to Stakeholders

Lee Rankin President

Cobequid Pass's construction and opening are now history, and the facility is warmly accepted by the majority of users. While the Corporation's primary focus will always be on customer service, we must now also concentrate on ensuring the highest degree of highway serviceability. It's key that the riding quality and pavement structure are maintained at the levels exhibited immediately after construction was finished.

When the highway's warranty expired in November 2000, the Corporation became totally responsible for financing the highway's long term maintenance. Together with our Bondholder's Representative, CIT Structured Finance, our Independent Maintenance Engineer, McCormick Rankin, and our Long Term Maintenance Manager, the Nova Scotia Department of Transportation and Public Works, we have identified and funded approximately \$1.2 million in maintenance improvements to be tendered and completed in the coming fiscal year.

These projects consist of the regravelling of the shoulders, repaving of the Toll Plaza approaches, and seal coating of 24 lane-kilometres. Our Major Maintenance Reserve Agreement will also identify and fund via toll revenues other necessary projects through the life of the tolling period.

Toll highways are designed to be totally self-financing; construction, operation and maintenance costs are paid from toll revenues. Cobequid Pass is no different and the Corporation does not rely on the input of public monies for any of its expenditures.

During construction, our focus was on delivering the facility on time and at the contracted price. With the co-operation of our partners, the Province of Nova Scotia and Atlantic Highways Corporation, Cobequid Pass was opened on budget and two weeks earlier than expected.

Upon opening, our focus changed once again to meet the demands of our patrons at the Toll Plaza and to ensure that the annual maintenance, consisting of such items as snow and ice removal, were kept at a high standard. The work of the Province's Department of Transportation and Public Works, and the Atlantic Highways Management Corporation, in dealing with the unique aspects of this public private partners in this regard cannot be overstated.

Maintaining an excellent highway and high levels of customer service through the use of toll revenues will remain the primary goal of the Corporation. Our partners should be congratulated in the professional manner they have strived to meet the requirements embodied in our various agreements.

Without the help and the direction provided by our Shareholder, the Province of Nova Scotia, Cobequid Pass would not function as the excellent facility that it is. It is certainly the intent of the Corporation and the wish of all our partners that Cobequid Pass remain an excellent facility and that high standard is our goal.

Don Piercey General Manager

The changes we made at the request of the traveling public and our partners over the first two and a half years of operation convince us we are providing what people want: a safe and efficient highway.

With only a small number of minor complaints, the Corporation did not find it necessary to implement radical operational changes. However, we remain committed to improving the highway and making the adjustments necessary to provide excellent service.

Passenger vehicle traffic during the past fiscal year totaled 2.195 million cars, almost identical to the 2.2 million passenger vehicles processed in the 1999-00 fiscal year. Commercial vehicles totaled 583,000, or 2.9 per cent higher than the previous year.

With the predicted economic slowdown becoming a reality, a levelling-off of traffic volumes is no surprise, yet the facility still receives traffic volumes 51 per cent above the original financial models. The first scheduled toll increase, effective January 1, 2001, ensures that the Corporation is able to meet all of its financial obligations.

The Corporation, through our Operator, Atlantic Highways Management Corporation, sold an additional 1,348 Electronic Toll Collection (ETC) transponders and established 1,315 new accounts during the past fiscal year. The total number of transponders now in use is slightly over 16,000 with a net increase in ETC accounts of 1,170, for a total 9,471. ETC usage by passenger vehicles has increased to 13.4 per cent from 10 per cent, and ETC usage by commercial vehicles remains relatively constant at approximately 80 per cent. All told, 27.5 per cent of the vehicles on Cobequid Pass now use ETC, a figure that is increasing yearly, albeit somewhat slower than we would like to see.

Included with this report is our Audited Financial Statements, illustrating our financial position and how toll revenues, our sole source of funding, are spent. Revenues and expenditures of a user-pay facility are always of great interest to the public and particularly our patrons. Earnings before other items for the past fiscal year were approximately 5.5 per cent higher than in the previous fiscal year. However, due to the unique nature of our financing and the structure of our debt repayment, I would suggest those interested in evaluating the financial performance of the Corporation consult the notes accompanying the statements.

In addition to the Corporation's Audited Financial Statements, this Annual Report outlines the history of the Western Alignment Corporation and the creation of Cobequid Pass. We are always happy to answer any questions you may have. Information on how to reach us is on the back cover.

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 LLP and by CIT Structured Finance.

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, 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. The majority of this work consists of snow and ice removal during the winter months. The Department of Transportation also performs annual line painting, guardrail replacement and repair, litter removal, and other duties to ensure the highway is maintained at a high standard.

With the expiration of the highway's three-year warranty, the Corporation is now responsible for all long term major maintenance on Cobequid Pass. Projects identified and funded for the upcoming fiscal year include re-gravelling of the shoulders, seal coating of 24 lane kilometres and repaving of the approaches to the Toll Plaza. This work is funded through the Corporation's Major Maintenance Reserve Fund and involves no public monies.



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 Aecon. AHC guaranteed the highway for three years, an unprecedented warranty period, and any deficiencies were 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. Thirteen hundred and fifty 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 and Westchester Fire Departments.

Aecon is an alliance of the project management and engineering firms Ambro Construction Ltd. and BFC Construction Corporation.



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	CIT Structured Finance
Junior Bond Issue	\$9.9 million	CIT Structured Finance
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
- 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.

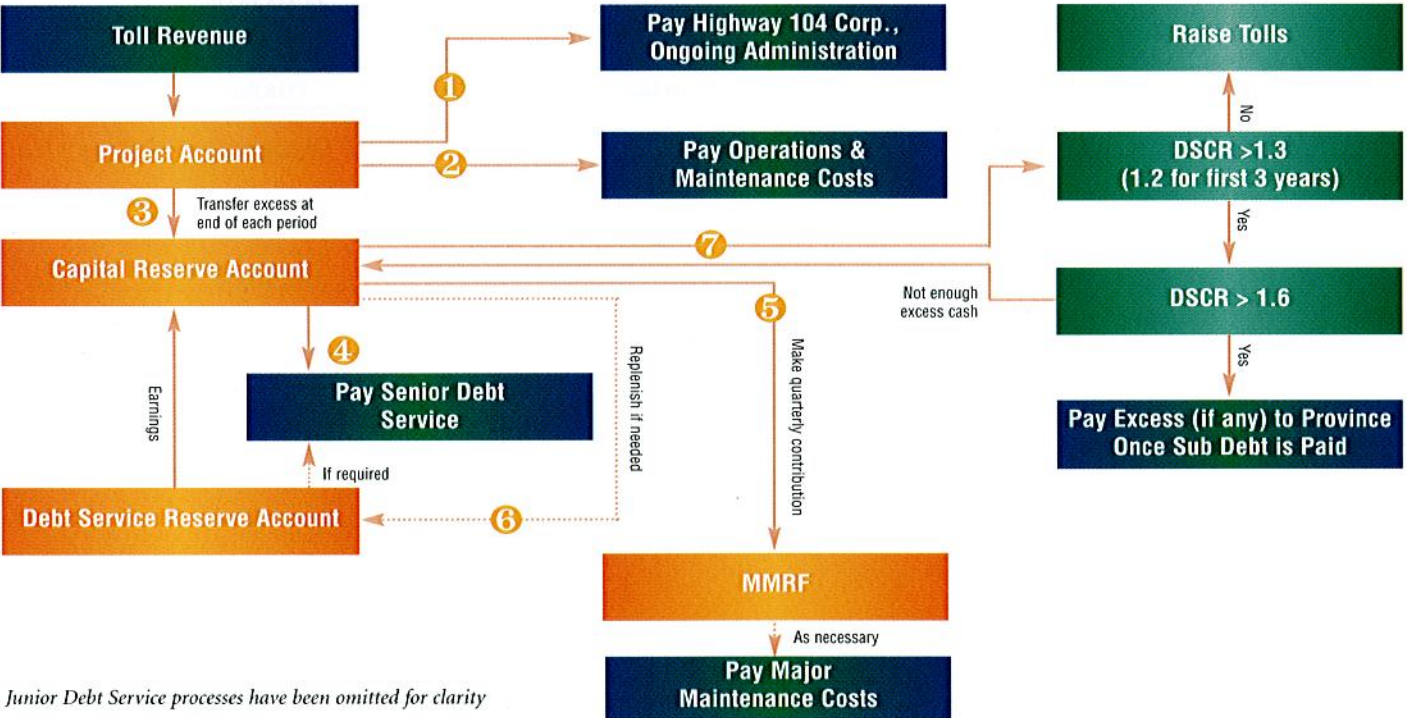
Major Maintenance Reserve Fund (MMRF)

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



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, 2001, 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, 2001, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants
Halifax, Canada
June 15, 2001

Highway 104 Western Alignment Corporation Statements of Loss and Deficit Year Ended March 31

	2001	2000
Revenue		
Facility revenue	\$ 11,565,742	\$ 11,004,086
Interest income	598,041	465,247
	<u>12,163,783</u>	<u>11,469,333</u>
Expenses		
Bondholder representative fees	98,015	95,345
Trustee fees	28,769	29,442
Salaries and benefits	163,211	157,197
Office	47,561	38,921
General and administrative	139,533	142,923
Enforcement	60,000	60,000
Independent engineer	33,837	39,028
Routine maintenance	776,009	656,504
Facility operations	1,508,095	1,421,901
Transponders	49,801	52,669
	<u>2,904,831</u>	<u>2,693,930</u>
Earnings before other items	9,258,952	8,775,403
Other items		
Government assistance		
Amortization (Note 2)	1,040,766	991,206
Amortization and depreciation	(2,455,511)	(2,347,437)
Interest on long term debt	(8,163,047)	(8,205,233)
	<u></u>	<u></u>
Net loss	\$ (318,840)	\$ (786,061)
Deficit, beginning of year	\$ (5,609,892)	\$ (7,529,068)
Net loss	(318,840)	(786,061)
Transfer (to) from reserve for restricted assets (Note 10)	(2,742,581)	2,705,237
	<u></u>	<u></u>
Deficit, end of year	\$ (8,671,313)	\$ (5,609,892)

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation Balance Sheet March 31

	2001	2000
Assets		
Project bank accounts	\$ 479,609	\$ 356,139
Inventory	24,533	26,645
Prepays (Note 3)	316,518	259,354
Receivables (Note 4)	145,503	597,266
Restricted assets (Note 5)	10,541,555	7,798,974
Facility (Note 6)	117,521,362	119,662,832
Deferred costs (Note 7)	832,069	981,385
	<u>\$ 129,861,149</u>	<u>\$ 129,682,595</u>
Liabilities		
Payables and accruals	\$ 328,205	\$ 850,976
Deferred revenue	497,018	481,748
Long term debt (Note 8)	80,779,637	78,733,976
Payable to the Province of Nova Scotia (Note 9)	250,000	250,000
Deferred government assistance (Note 2)	52,156,372	53,197,138
	<u>134,011,232</u>	<u>133,513,838</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)	4,521,229	1,778,648
Deficit	(8,671,313)	(5,609,892)
	<u>(4,150,083)</u>	<u>(3,831,243)</u>
	<u>\$ 129,861,149</u>	<u>\$ 129,682,595</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

	2001	2000
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (318,840)	\$ (786,061)
Government assistance		
amortization	(1,040,766)	(991,206)
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	2,455,511	2,347,437
	<u>1,131,339</u>	<u>605,604</u>
Change in non-cash operating working capital (Note 11)	(110,790)	(1,563,217)
	<u>1,020,549</u>	<u>(957,613)</u>
Financing		
Increase (decrease) in long term debt, net	2,045,661	(1,915,069)
Investing		
(Increase) decrease in restricted assets	(2,742,581)	2,705,237
Warranty settlement	-	362,668
Construction of facility	(200,159)	(351,187)
	<u>(2,942,740)</u>	<u>2,716,718</u>
Net increase (decrease) in cash and cash equivalents	123,470	(155,964)
Cash and cash equivalents, beginning of year	356,139	512,103
Cash and cash equivalents, end of year	<u>\$ 479,609</u>	<u>\$ 356,139</u>

See accompanying notes to the financial statements.

Highway 104 Western Alignment Corporation
Notes to the Financial Statements March 31, 2001

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 commencing at the start of the operating period until March 31, 2026 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

	2001	2000
Operating expenses	\$ 31,275	\$ 29,946
Advance to operator	285,243	229,408
	<u>\$ 316,518</u>	<u>\$ 259,354</u>

4. Receivables

	2001	2000
Harmonized Sales Tax	\$ 44,448	\$ 61,305
Other	101,055	535,961
	<u>\$ 145,503</u>	<u>\$ 597,266</u>

5. Restricted assets

	Cash	Investments	2001 Total	2000 Total
Senior debt service reserve account	\$ 701	\$ 5,639,430	<u>\$ 5,640,131</u>	\$ 4,770,505
Capital reserve account	(1,524,734)	4,645,882	<u>3,121,148</u>	1,818,293
Major maintenance reserve account	142,924	1,637,352	<u>1,780,276</u>	1,210,176
	<u>\$ (1,381,109)</u>	<u>\$11,922,664</u>	<u>\$10,541,555</u>	<u>\$ 7,798,974</u>

Investments are recorded at cost, have a weighted average term of 6.04 months to maturity and a weighted average interest rate of 5.57%. 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

	Cost	Accumulated Depreciation	2001 Net book Total	2000 Net book Total
Facility	<u>\$124,619,429</u>	<u>\$ 7,098,067</u>	<u>\$117,521,362</u>	<u>\$ 119,662,832</u>

7. Deferred costs

	2001	2000
Start up	\$ 189,803	\$ 303,685
Financing fees	642,266	677,700
	<u>\$ 832,069</u>	<u>\$ 981,385</u>

8. Long term debt

	2001	2000
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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. \$ 68,537,574 \$ 66,491,913

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

\$ 80,779,637 \$ 78,733,976

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

2002	\$ 725,017
2003	806,236
2004	896,554
2005	996,970
2006	1,108,652

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 reinstated to the original rates as 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.

	2001	2000
Reserve for restricted assets, beginning of year	<u>\$ 1,778,648</u>	<u>\$ 4,483,885</u>
Transfers from project account	8,690,000	8,405,000
Interest income	564,321	440,335
Long term debt payments, including interest	(6,081,952)	(10,084,868)
Rebate to Province	(429,788)	(1,465,704)
	<u>2,742,581</u>	<u>(2,705,237)</u>
Reserve for restricted assets, end of year	<u>\$ 4,521,229</u>	<u>\$ 1,778,648</u>

11. Supplemental cash flow information

	2001	2000
Change in non-cash operating working capital		
Inventory	\$ 2,112	\$ (12,431)
Prepays	(57,164)	(67,106)
Receivables	451,763	(422,086)
Payables and accruals	(522,771)	(1,095,390)
Deferred revenue	15,270	33,796
	<u>\$ (110,790)</u>	<u>\$ (1,563,217)</u>

Cash and cash equivalents consist of:
Cash on hand and balances with banks \$ 479,609 \$ 356,139
Interest paid \$ 6,081,952 \$ 6,084,868

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.

The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

2002	\$ 582,500
2003	620,000
2004	620,000
2005	620,000
2006	620,000

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 operating lease agreements for equipment and office space. The minimum lease payments for the next five years are as follows:

2002	\$ 27,265
2003	27,265
2004	27,265
2005	27,265
2006	18,177

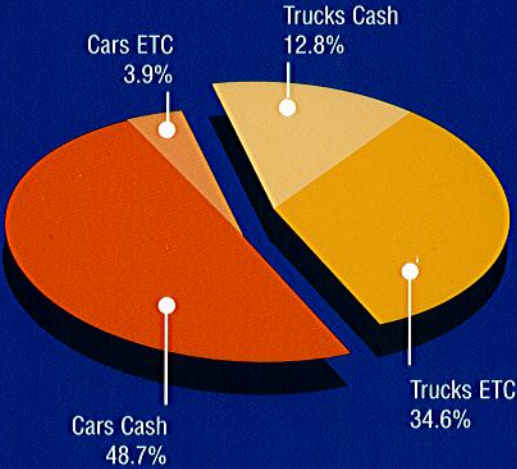
Financing

- 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.
- \$3.50 per car; \$2.50 per axle for trucks over five tonnes, \$4.50 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.

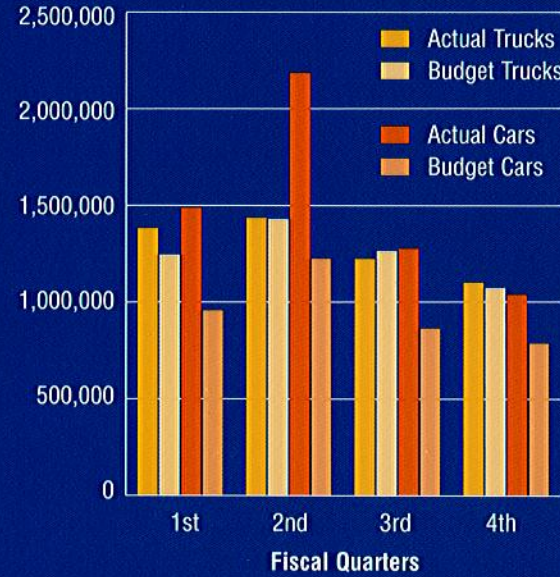
Cash Toll and ETC Revenue

April 1, 2000 to March 31, 2001 (Audited)



Revenue Versus Day 1 Projections

For the Fiscal Year Ending March 31, 2001 (Audited)





HIGHWAY 104

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Alignment Corporation**

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