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MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present Infrastructure Ontario's 2009-2010 Annual Report. This report outlines the agency's business performance and operational highlights, and includes audited financial statements for the fiscal year that ended March 31, 2010.

This past year was especially significant as Infrastructure Ontario celebrated substantial completion on ten AFP projects, despite a challenging environment due to uncertain financial markets. The agency made sound progress on all infrastructure projects including construction start on five projects. This brought the total of projects under construction to 22 by years' end with an additional 17 projects at various stages of procurement.

Many projects remain in the pipeline including venues for the much anticipated Pan/Parapan American Games. Infrastructure Ontario looks forward to maintaining and strengthening relationships with public and private sectors to continue with its mandate to rebuild Ontario's public infrastructure.

IO's Loan Program continues to exceed target with loans advanced for the past year totaling \$695.4 million. This accomplishment brings the total of advanced loans to \$2.6 billion as of March 31, 2010. This is in support of over 1,200 infrastructure projects to renew the province's roads, bridges, universities, water systems and other vital public infrastructure.

The Board's mandate is to ensure that major infrastructure projects deliver value for money, that risks are managed effectively, and that the highest standards of public service are upheld. I am proud of the work we have done and I look forward to new challenges in 2010-2011.

This past year, we welcomed John Swinden to the Board of Directors. John brings a wealth of experience in risk and financial management to the agency.

Finally, I would like to thank David Livingston and all the staff at Infrastructure Ontario for their hard work and another successful year.



D. Anthony Ross
Chair

MESSAGE FROM THE CEO

Infrastructure Ontario has had another very successful year. Thanks to the support of our shareholder and our stakeholders in government and industry, we reached several significant milestones in fiscal 2009-2010.

Our major infrastructure program continues to flourish. This past year, ten more projects reached substantial completion, representing more than two and a half million square feet of new and renovated space. Eleven requests for qualifications and 12 requests for proposals were released to market, generating significant industry interest.

Because of this success, the government continues to look at ways to further the application of alternative financing and procurement (AFP). Among the projects brought to market were our first road project, the Windsor-Essex Parkway, and the Diabetes Registry project. We were also assigned projects associated with the 2015 Pan/Parapan American Games, which represent a significant investment in the Greater Toronto and Hamilton area.

Our loan portfolio grew significantly this past fiscal year, with the most applications received since the inception of the program. More than \$2.6 billion has been advanced to hundreds of clients in the broader public sector, and we look to grow both our client base and our advances as we expand into sectors beyond our traditional municipal base.

As we achieved these successes, we maintained our strong focus on meeting our clients' needs. In our annual client survey, both AFP and Loan Program clients indicated deep satisfaction with our staff, our processes and our ability to make infrastructure projects happen. Our client-centred approach is critical to building our reputation and advancing the interests of the province, and it is fundamental to our business plans.

As we look to the future, our goal remains to assist the government in the delivery of infrastructure renewal across Ontario. We appreciate the confidence the government has placed in our programs and our people, and we will continue to work hard to rebuild Ontario for future generations.



J. David Livingston
President and Chief Executive Officer

“In our annual client survey, both AFP and Loan Program clients indicated deep satisfaction with our staff, our processes and our ability to make infrastructure projects happen.”

2009/10 EVENTS & ACHIEVEMENTS

March 19, 2010	RFP issued for the Markham Stouffville Hospital
March 17, 2010	Substantial completion achieved for the MGS Data Centre
March 10, 2010	Substantial completion achieved for Runnymede Healthcare Centre ahead of schedule
March 5, 2010	RFQ issued for the St. Thomas Consolidated Courthouse
March 4, 2010	RFP issued for the South West Detention Centre
March 3, 2010	Official opening of the Ivey Eye Institute at St. Joseph's Hospital in London
February 4, 2010	Opening of the new dialysis and inpatient units at Lakeridge Health
February 2, 2010	RFP issued for the Mental Health Centre Penetanguishene
February 1, 2010	New Charlotte Sills Wing opening at Quinte Health Care Belleville General
February, 2010	Substantial completion achieved for Quinte Health Care-Belleville General ahead of schedule
January 21, 2010	Short-listed teams announced for St. Joseph's Regional Mental Health Care
January 18, 2010	Substantial completion achieved for Ottawa Cancer Centre – Queensway Carleton
December 29, 2009	RFP issued for the Windsor Essex Parkway
December 18, 2009	Construction began for the Centre for Addiction and Mental Health
December 17, 2009	Short-listed bidders announced for St. Joseph's Health
December 11, 2009	Kingston General Hospital opens new pediatric inpatient unit.
November 26, 2009	RFQ release for Halton Healthcare Services
November 25, 2009	RFP released for the Provincial Diabetes Registry and eHealth Portal Project
November 24, 2009	Substantial completion achieved for Durham Consolidated Courthouse
November, 2009	Construction start for the Ontario Highway Service Centres
October 30, 2009	Substantial completion achieved for Sudbury Regional Hospital ahead of schedule
October 28, 2009	Financial Close achieved for Toronto South Detention Centre
October 23, 2009	Bluewater Health celebrates completion of new main entrance exterior
October 21, 2009	Short-listed bidders announced for Diabetes Registry
October 16, 2009	Preferred Proponent selected for CAMH
October 15, 2009	RFQ issued for the Markham Stouffville Hospital Expansion and redevelopment project
October 8, 2009	Short-listed bidder announced for the Windsor Essex Parkway project

October 1, 2009	Substantial completion achieved for Trillium Health Care Centre - Mississauga
September 18, 2009	RFP issued for Thunder Bay Courthouse
September 11, 2009	Substantial completion achieved for St. Joseph's Healthcare, London (Phase 1)
September 10, 2009	Short-listed bidder announcement for Thunder Bay Courthouse
August 31, 2009	Opening of the Regional Rehabilitation Centre at Hamilton General Hospital
August 31, 2009	RFQ released for Quinte Consolidated Courthouse
August 25, 2009	Short-listed bidders announced for St. Joseph's Health Care Hamilton
August 17, 2009	RFQ released for Mental Health Centre Penetanguishene
August 12, 2009	Financial Close achieved for Bridgepoint Hospital
August 6, 2009	RFQ released for South West Detention Centre
July 27, 2009	Short-listed bidding companies announced for the OPP Modernization project
July 17, 2009	RFQ released for Provincial Diabetes Registry and eHealth Portal Project
July 13, 2009	RFP released for Women's College Hospital
June 25, 2009	Infrastructure Ontario Loan Program expanded through \$250 million increase in Commercial Paper borrowing limit.
June 24, 2009	Construction start for the Windsor Regional Hospital
June 5, 2009	RFQ issued to select architectural firm for the Quinte Consolidated Courthouse
June 5, 2009	Substantial completion reached for Roy McMurtry Youth Centre
June 5, 2009	RFQ issued to select architectural firm for the Toronto West Courthouse
June 1, 2009	RFQ issued for the St. Joseph's Regional Mental Health Care London and St. Thomas
May 21, 2009	Forensic Services and Coroners Complex releases RFP
May 8, 2009	Opening of the new inpatient wing of the Trillium Health Centre - Mississauga
May 1, 2009	RFQ issued for Thunder Bay Courthouse
April 27, 2009	Construction start for the Niagara Health System
April 27, 2009	Short-listed companies chosen for the Women's College Hospital project
April 27, 2009	Short-listed companies chosen for the Forensic Services and Coroners Complex
April 24, 2009	Construction start for the Royal Victoria Hospital, Phase 1 Expansion
April 16, 2009	Substantial Completion of the Hamilton Henderson General Hospital

AFP PROJECTS

PROJECTS UNDER CONSTRUCTION

- Credit Valley Hospital
- Hamilton Health Sciences - Henderson General Hospital
- Kingston General Hospital
- Lakeridge Health Corp.
- London Health Sciences Centre/St. Joseph's Health Care London (Phase 2)
- Montfort Hospital
- Niagara Health System
- North Bay Regional Health Centre
- The Ottawa Hospital Regional Cancer Program
- Rouge Valley Health System
- Royal Victoria Hospital
- Sarnia Bluewater Health
- Sault Area Hospital
- Sunnybrook Health Sciences Centre
- Toronto Rehabilitation Institute
- Woodstock General Hospital
- Bridgepoint Health
- Windsor Regional Hospital
- Toronto South Detention Centre
- Centre for Addiction and Mental Health
- Ontario Highway Service Centres

SUBSTANTIAL COMPLETION REACHED

- Durham Consolidated Courthouse
- Quinte Health Care
- Trillium Health Centre
- Sudbury Regional Hospital
- Roy McMurtry Youth Centre
- Hamilton Health Sciences - Hamilton General Hospital
- Runnymede Healthcare Centre
- The Ottawa Hospital Regional Cancer Program - *Queensway Carleton*
- New Data Centre
- St. Joseph's Health Care, London (Phase 1)

FINANCIAL CLOSE ACHIEVED

- Waterloo Region Consolidated Courthouse

REQUEST FOR PROPOSALS CLOSED

- Diabetes Registry and eHealth Portal Project
- Forensic Services and Coroner's Complex
- OPP Modernization
- Women's College Hospital
- Infrastructure Ontario's Nuclear Procurement Project

REQUEST FOR PROPOSALS OPEN

- St. Joseph's Health Care Hamilton
- Thunder Bay Consolidated Courthouse
- Markham Stouffville/Toronto Grace Hospital
- Mental Health Centre Penetanguishene
- Windsor-Essex Parkway
- St. Joseph's Health Care - London/St Thomas
- Southwest Detention Centre

REQUEST FOR QUALIFICATIONS OPEN

- Halton Healthcare Services
- St. Thomas Consolidated Courthouse

SHORT-LISTED BIDDERS NAMED

- Quinte Consolidated Courthouse

PRE-TENDER

- Humber River Regional Hospital
- Toronto West Courthouse
- West Lincoln Memorial Hospital



Trillium Health Centre - Mississauga and West Toronto

AFP PROJECT ACTIVITY

SUBSTANTIAL COMPLETION REACHED

DURHAM CONSOLIDATED COURTHOUSE **Oshawa, Ontario**

Model Type: Design-Build-Finance-Maintain
Project Team: Access Justice Durham
Contract cost (Net present value - NPV): \$334 Million
Estimated Value For Money - VFM) Savings: \$49 Million
Workers on site daily: 410 at peak of construction

QUINTE HEALTH CARE **Belleville, Ontario**

Model type: Build-Finance
Project Team: M. Sullivan and Son
Contract cost: \$72.2 Million
Estimated VFM Savings: \$8.6 Million
Workers on site daily: 135 at peak of construction

TRILLIUM HEALTH CENTRE **Mississauga and West Toronto, Ontario**

Model Type: Build-Finance
Project Team: EllisDon Corporation
Contract cost: \$104.1 Million
Estimated VFM Savings: \$12.9 Million
Workers on site daily: N/A

SUDBURY REGIONAL HOSPITAL **Sudbury, Ontario**

Model Type: Build-Finance
Project Team: EllisDon Corporation
Contract cost: \$131.9 Million
Estimated VFM Savings: \$16.7 Million
Workers on site daily: 195 at peak of construction

ROY MCMURTRY YOUTH CENTRE **Brampton, Ontario**

Model Type: Build-Finance
Project Team: Bird Construction
Contract Cost: \$93 Million
Estimated VFM Savings: \$9.4 Million
Workers on site daily: 380 at the peak of construction

HAMILTON HEALTH SCIENCES – HAMILTON GENERAL HOSPITAL **Hamilton, Ontario**

Model Type: Build-Finance
Project Team: EllisDon Corporation
Contract cost: \$44.9 Million
Estimated VFM Savings: \$7.2 Million
Workers on Site Daily: 130 at peak of construction

RUNNYMEDE HEALTHCARE CENTRE

Toronto, Ontario

Model Type: Build-Finance

Project Team: Bondfield Construction Company Ltd.

Contract cost: \$63 Million

Estimated VFM Savings: \$10.8 Million

Workers on site daily: 120 at peak of construction

THE OTTAWA HOSPITAL REGIONAL CANCER PROGRAM

Ottawa, Ontario

Queensway Carleton Hospital

Model type: Build-Finance

Project Team: PCL Constructors Canada

Contract Cost: \$66.3 Million

Estimated VFM Savings: \$10.7 Million

Workers on site daily: 180 at the peak of construction

NEW DATA CENTRE

Guelph, Ontario

Model Type: Design-Build-Finance-Maintain

Project Team: Plenary Properties

Contract cost (NPV): \$352 Million

Estimated VFM Savings: \$64.2 Million

Workers on site daily: 170 at peak of construction

ST JOSEPH'S HEALTH CARE, LONDON (PHASE 1)

London, Ontario

Model Type: Build-Finance

Project Team: D. Grant and Sons Limited

Contract Cost: \$32.2 Million

Estimated VFM Savings: \$3.1 Million

Workers on site daily: 55-65 at the peak of construction



Sunnybrook Health Sciences Centre (Artists Rendering) - Toronto, Ontario

PROJECTS UNDER CONSTRUCTION

CREDIT VALLEY HOSPITAL

Mississauga, Ontario

Model Type: Build-Finance

Project Team: Bondfield Construction Company Ltd

Contract cost: \$162.8 Million

Estimated VFM Savings: \$26.1 Million

Workers on site daily: 150 at peak of construction

HAMILTON HEALTH SCIENCES – HENDERSON GENERAL HOSPITAL

Hamilton, Ontario

Model Type: Build-Finance

Project Team: EllisDon Corporation

Contract cost: \$198 Million

Estimated VFM Savings: \$29.8 Million

Workers on site daily: 400 at peak of construction

KINGSTON GENERAL HOSPITAL

Kingston, Ontario

Model Type: Build-Finance

Project Team: PCL Constructors

Contract cost: \$141.2 Million

Estimated VFM Savings: \$19.8 Million

Workers on site daily: approximately 75 at peak of construction

LAKERIDGE HEALTH CORP.

Oshawa, Ontario

Model Type: Build-Finance

Project Team: Aecon Buildings and Concessions

Contract cost: \$91.5 Million

Estimated VFM Savings: \$11 Million

Workers on site daily: 300 at peak of construction

LONDON HEALTH SCIENCES CENTRE/ST. JOSEPH'S HEALTH CARE

London, Ontario

London Health Sciences Centre

Model Type: Build-Finance

Project Team: EllisDon Corporation

Contract Cost: \$211.8 Million

Estimated VFM Savings: \$41.2 Million

Workers on site: 300 at peak of construction

St. Joseph's Health Care, London (Phase 2)

Model Type: Build-Finance

Contract Cost: \$49.2 Million

Estimated VFM Savings: \$9.2 Million

Workers on site daily: 100 at peak of construction

MONTFORT HOSPITAL

Ottawa, Ontario

Model type: Modified Build-Finance
Project Team: EllisDon Corporation.
Contract Cost: \$173 Million
Estimated VFM Savings: \$19 Million
Workers on site daily: 100 at the peak of construction

NIAGARA HEALTH SYSTEM

St. Catharines, Ontario

Model Type: Design-Build-Finance-Maintain
Project Team: Plenary Health Niagara (Plenary Group, Borealis Infrastructure, PCL Constructors Canada Inc., Bregman + Hamann Architects, Silver Thomas Hanley Architects, and Johnson Controls)
Contract Cost (NPV): \$759 Million
Estimated VFM Savings: \$96 Million
Workers on site daily: 1000 at the peak of construction

NORTH BAY REGIONAL HEALTH CENTRE

North Bay, Ontario

Model Type: Build-Finance-Maintain
Project Team: Plenary Health
Contract cost (NPV): \$551 Million
Estimated VFM Savings: \$56.7 Million
Workers on site daily: 250 at peak of construction

THE OTTAWA HOSPITAL REGIONAL CANCER PROGRAM

Ottawa, Ontario

The Ottawa Hospital

Model type: Build-Finance
Project Team: PCL Constructors Canada
Contract Cost: \$46.7 Million
Estimated VFM Savings: \$7.9 Million
Workers on site daily: 180 at the peak of construction

ROUGE VALLEY HEALTH SYSTEM

Ajax, Ontario

Model Type: Build-Finance
Project Team: Aecon Buildings
Contract cost: \$64 Million
Estimated VFM Savings: \$11.3 Million
Workers on site daily: 75 at peak of construction

ROYAL VICTORIA HOSPITAL

Barrie, Ontario

Model Type: Build-Finance
Project Team: Vanbots
Contract cost: \$258.5 Million
Estimated VFM Savings: \$44.1 Million
Workers on site daily: 200 at peak of construction

PROJECTS UNDER CONSTRUCTION (Continued)

SARNIA BLUEWATER HEALTH

Sarnia, Ontario

Model Type: Build-Finance

Project Team: EllisDon Corporation

Contract cost: \$214 Million

Estimated VFM Savings: \$16.2 Million

Workers on site daily: 100-150 at peak of construction

SAULT AREA HOSPITAL

Sault St. Marie, Ontario

Model Type: Build-Finance-Maintain

Project Team: Hospital Infrastructure Partners Inc (Carillion, EllisDon, LPF Infrastructure Fund (the Labourers' Pension Fund of Central and Eastern Canada) and CIT Financial.)

Contract Cost (NPV): \$408 Million

Estimated VFM Savings: \$101.7 Million

Workers on site daily: 500-600 at the peak of construction

SUNNYBROOK HEALTH SCIENCES CENTRE

Toronto, Ontario

Model Type: Build-Finance

Project Team: Vanbots Construction

Contract cost: \$142 million

Estimated VFM Savings: \$14.1 Million

Workers on site daily: 160-170 at peak of construction

TORONTO REHABILITATION INSTITUTE

Toronto, Ontario

Model Type: Build-Finance

Project Team: Aecon Construction

Contract Cost: \$112.1 Million

Estimated VFM Savings: \$18.9 Million

Workers on site daily: 150 at the peak of construction

WOODSTOCK GENERAL HOSPITAL

London, Ontario

Model Type: Build-Finance-Maintain

Project Team: Integrated Team Solutions

Contract cost (NPV): \$268.7 Million

Estimated VFM Savings: \$71 Million

Workers on site daily: 200 at peak of construction

BRIDGEPOINT HEALTH

Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Project Team: Plenary Health Bridgepoint

Contract cost (NPV): \$622 Million

Estimated VFM Savings: \$95 Million

Workers on site daily: 500-600 at peak of construction

WINDSOR REGIONAL HOSPITAL

Windsor, Ontario

Model Type: Build-Finance

Project Team: Bondfield Construction Company Ltd.

Contract cost (NPV): \$91.6 Million

Estimated VFM Savings: \$9.7 Million

Workers on site daily: 220 at peak of construction

TORONTO SOUTH DETENTION CENTRE

Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Project Team: Integrated Team Solutions

Contract cost (NPV): \$593.9 Million

Estimated VFM Savings: \$66.8 Million

Workers on site daily: 500–550 at peak of construction

CENTRE FOR ADDICTION AND MENTAL HEALTH

Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Project Team: Carillion Canada Inc.

Contract cost (NPV): \$293 Million

Estimated VFM Savings: N/A

Workers on site daily: 350 at peak of construction

ONTARIO HIGHWAY SERVICE CENTRES

Highway 400/401 Corridors

Model type: Design-Build-Finance-Maintain

Project Team: Host Kilmer Services Centres Inc. (Host International of Canada Ltd.)

Contract cost (NPV): \$300 Million

Estimated VFM Savings: N/A

Workers on site daily: 360 at peak of construction at each site



Bridgepoint Health (Artists Rendering) - Toronto, Ontario

FINANCIAL CLOSE ACHIEVED

Waterloo Region Consolidated Courthouse Kitchener, Ontario

Model type: Design-Build-Finance-Maintain
Project Team: Integrated Team Solutions
Contract cost (NPV): \$379 Million
Estimated VFM Savings: N/A
Workers on site daily: 250 at peak of construction

REQUEST FOR PROPOSALS CLOSED

Diabetes Registry and eHealth Portal Project Model: IT Project

Forensic Services and Coroner's Complex Toronto, Ontario Model Type: Design-Build-Finance-Maintain

OPP Modernization Multiple Sites Model Type: Design-Build-Finance-Maintain

Women's College Hospital Toronto, Ontario Model type: Design-Build-Finance-Maintain

Infrastructure Ontario's Nuclear Procurement Project Clarington, Ontario Model Type: 2-phase competitive procurement process

REQUEST FOR PROPOSALS OPEN

St. Joseph's Healthcare Hamilton, Centre for Mountain Health Services Hamilton, Ontario Model Type: Design-Build-Finance-Maintain

Thunder Bay Consolidated Courthouse Thunder Bay, Ontario Model Type: Design-Build-Finance-Maintain

Markham Stouffville/Toronto Grace Hospital Toronto, Ontario Model Type: Build-Finance

Mental Health Centre Penetanguishene Penetanguishene, Ontario Model Type: Design-Build-Finance-Maintain

Windsor Essex Parkway Windsor, Ontario Model Type: Design-Build-Finance-Maintain

St. Joseph's Healthcare London/St. Thomas London and St. Thomas, Ontario Model Type: Build-Finance

South West Detention Centre Waterloo, Ontario Model Type: Design-Build-Finance-Maintain

REQUEST FOR QUALIFICATIONS OPEN

Halton Healthcare Services

Oakville, Ontario

Model Type: Design-Build-Finance-Maintain

St. Thomas Consolidated Courthouse

St. Thomas, Ontario

Model Type: Design-Build-Finance-Maintain

SHORT-LISTED BIDDERS NAMED

Quinte Consolidated Courthouse

Belleville, Ontario

Model Type: Design-Build-Finance-Maintain

PRE-TENDER

Humber River Regional Hospital

Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

Toronto West Courthouse

Toronto, Ontario

Model Type: Design-Build-Finance-Maintain

West Lincoln Memorial Hospital

Grimsby, Ontario

Model Type: Design-Build-Finance-Maintain



Durham Consolidated Courthouse - Oshawa/Durham Region

INFRASTRUCTURE LENDING 2009/10 OVERVIEW

The Infrastructure Ontario (IO) Loan Program serves a number of public sector markets in Ontario including: municipalities, universities and affiliated colleges, non-profit long-term care, hospices, municipal corporations, non-profit professional arts training, local services boards and affordable, social and supportive housing providers.

The Loan Program experienced strong growth in 2009-10 with the municipal, municipal corporation and housing sectors dominating loan activity throughout the year. While IO continued to receive more applications from municipalities than any other sector, the value of loans from other client sectors has grown to almost match that of the municipal sector.

With eligibility of the Loan Program being broadened to include social and affordable housing providers in December 2008, IO has approved financing for more than \$122 million. These loans will help to finance the development of more than \$192 million in affordable and social housing projects. With a further \$200 million of applications in progress, the Loan Program continues to offer vital financing solutions to help housing providers meet the growing need for affordable housing across Ontario.

As of March 31, 2010 Infrastructure Ontario had committed to providing more than \$3.54 billion in loans, of which over \$2.6 billion had been advanced in support of over 1,200 infrastructure projects to renew the province's roads, bridges, universities, water systems and other vital public infrastructure.

LOAN RESULTS AS AT MARCH 31, 2010

- The total value of Infrastructure Ontario (IO) loans approved and executed at the end of 2009-10 was \$3.54 billion, of which over \$2.6 billion had been advanced.
- 135 loan applications with a value of \$1.024 billion were submitted in fiscal 2009-10. This represents an increase of 49% over fiscal 2008-09 and is the highest total number of applications received since the inception of the program.
- Of the 135 applications submitted in 2009-2010, 49% were first-time clients.
- Over 295 public sector clients have submitted an application for a loan since the Loan Program's inception.

ANNUAL CLIENT SURVEY

- Achieved an approval rating of 75% in the top two categories for the Loan Program on the Customer Satisfaction Survey question relating to "Understands customer needs and objectives".
- 93% of current clients viewed IO as an ideal partner for their infrastructure projects.
- Over three-quarters of all non-clients (76%) are aware of the Loan Program.
- 37% of respondents would consider an IO loan as a method for financing their "very next capital investment".

MEETING OUR CLIENTS' NEEDS

There have been many factors that impacted the volume of loan activity this year, including federal and provincial grant programs and the general economic climate.

In early 2009, the federal and provincial governments embarked on a strategy to help stimulate the economy by investing in building and renewing public infrastructure. Programs targeting municipalities, postsecondary education, housing, recreation, transportation, not-for-profit and other sectors injected the economy with grant monies.

The Building Canada Fund and Infrastructure Stimulus Fund programs have meant that many municipalities have had to reprioritize their capital spending strategies in order to take advantage of federal and provincial funds. As a result, some require financing to pay for their portion of grant projects or to help pay for other projects that were previously scheduled to go forward. IO continues to focus a large amount of its outreach efforts in support of stimulus funded projects in the municipal market sector.

To meet the growing demand of our clients, Infrastructure Ontario's construction loan capacity was expanded in June 2009, through a \$250 million increase in its Commercial Paper borrowing limit. The borrowing limit was increased from \$500 million to \$750 million, and the funds will be used to leverage loan opportunities for all broader public sector clients. Infrastructure Ontario's credit ratings on short-term debt were all re-affirmed subsequent to the approved limit increase.



YWCA Toronto, Elm Centre

“The loan we are able to access from Infrastructure Ontario will enable us to build 300 units of green and affordable housing for low-income women and children in the City. The fact that IO has been a full partner at the table means that we have been able to benefit from their construction and technical expertise.”

Lois Fine, Director of Finance and IT, YWCA Toronto

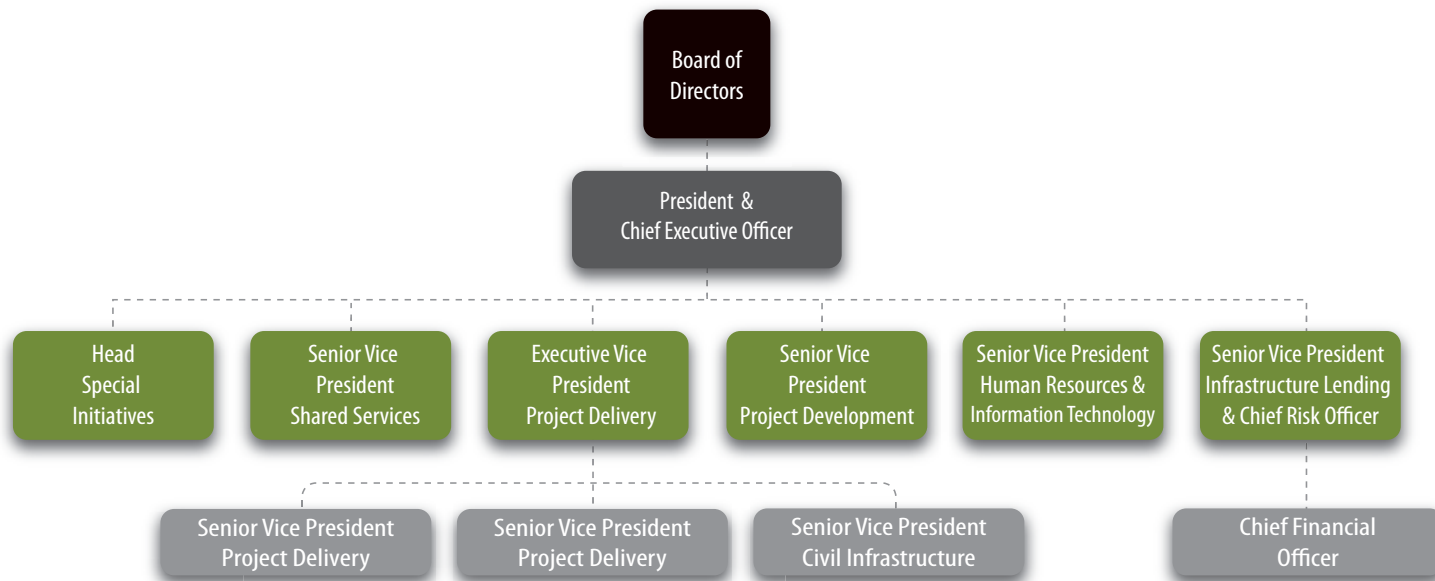
ORGANIZATIONAL OVERVIEW

Infrastructure Ontario is a Crown corporation dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget, and to supporting infrastructure investment across the broader public sector.

Our work is guided by principles outlined in the Province's Building a Better Tomorrow framework, which ensures public ownership of core assets such as hospitals, schools, and water and wastewater facilities. Using an Alternative Financing and Procurement (AFP) model, Infrastructure Ontario leverages private financing and expertise to strategically rebuild and maintain vital infrastructure, on time and on budget. Infrastructure Ontario also provides Ontario municipalities, universities and other public sector bodies with access to affordable loans to build and renew local public infrastructure.

CORPORATE STRUCTURE

Infrastructure Ontario is organized in six functional areas, as illustrated in the figure below:



Project Delivery is responsible for managing the planning, design and delivery of major public infrastructure projects, supported by project communications, finance, legal, and procurement services. The work ranges from managing procurement and negotiating contracts with private sector consortia, to project management from procurement through to construction completion.

Project Development is responsible for developing and planning potential AFP projects. Some of these projects may be contemplated as traditional projects, and others may be in the early planning stages by broader public sector entities. This group coordinates advisory services to municipalities, universities and other public bodies who are considering the possibility of delivering a project using an alternative and procurement approach.

Infrastructure Lending is responsible for Infrastructure Ontario's Loan Program, which provides Ontario municipalities, universities and other public sector entities with access to low cost loans to build and renew local public infrastructure. It also provides corporate services, including finance, treasury, business development and customer relations and legal services to the entire organization. As well, support for

the recently implemented Enterprise Risk Management (ERM) framework, an integrated risk management approach overseen by the Chief Risk Officer, is also provided by the Infrastructure Lending division.

Human Resources and Information Technology is responsible for developing the internal strength to meet Infrastructure Ontario's needs in information technology and personnel, including the development of staff programs. The division facilitates Infrastructure Ontario's ability to recruit and retain the talent needed, and enable productivity through technology.

Shared Services is responsible for providing project delivery and corporate services to the entire organization including project legal, project finance, communications and corporate relations and project management.

Special Initiatives was created early 2010 at the government's request to give it advice on how to generate new forms of capital. This department also engages other functions in IO, notably Finance, Legal and Communications.

BUSINESS STRATEGY

Infrastructure Ontario will continue to be a world-class infrastructure development and delivery agency. Several strategies are in place to ensure we build on our early success.

First, we will continue to procure assigned projects on time, on budget and on scope. Infrastructure Ontario is overseeing the development of more than 50 projects and, through a focused and committed effort, we will ensure these projects are successfully tendered.

Second, as projects begin construction, we will ensure they are built on time, on budget and on scope. Only when projects are completed will our work be done.

Third, we will support infrastructure investment across the broader public sector. Infrastructure Ontario carries out two key activities that assist the broader public sector in making projects happen: the provision of loans and project assessment.

Fourth, we will pay keen attention to meeting our clients' expectations and we will continue to strive to improve our client service.

Fifth, we will achieve the financial and business targets for the organization. Our success on the ground must be matched by the strength of our finances.

And finally, we will maintain our momentum by continuously improving and adapting our strategies and programs to overcome new challenges and support new government priorities.



CORPORATE GOVERNANCE

Infrastructure Ontario's corporate governance structure is set out in the Ontario Infrastructure Projects Corporation Act, 2006. Infrastructure Ontario is a corporation without share capital, composed of the members of its board of directors. The members are appointed by the Lieutenant Governor in Council. The Chair and Chief Executive Officer are designated and appointed by the Lieutenant Governor in Council. This governance structure ensures that Infrastructure Ontario's activities are conducted in accordance with relevant statutes, as well as government policies and directives.

As part of Infrastructure Ontario's commitment to good governance, the Corporation prepares an annual report in accordance with Management Board of Cabinet directives that is approved by the Board and submitted to the Minister of Energy and Infrastructure for tabling in the Ontario Legislature.

The Board of Directors provides strategic oversight within the objects of the corporation. The board is also responsible for approving policies relating to risk assessment/ management; and approving policies governing compensation performance awards. It approves projects that are within scope and expenditure limits. It provides oversight of senior management, monitoring for legal compliance, internal control, effective audit procedure, and reporting requirements. Finally, it provides advice and counsel to the Minister of Energy and Infrastructure.

BOARD OF DIRECTORS

Tony Ross **Chair**

Tony Ross serves as the Chair of Infrastructure Ontario. Prior to this, Mr. Ross worked as a Business Consultant for RG Group where he advised, among others, Manulife Financial, the Government of Newfoundland, the University of Toronto, York University, Hydro One and Telus.

Before RG Group, Mr. Ross was Vice-Chairman of Merrill Lynch Canada, where he directed the activities of the Capital Markets group.

Mr. Ross is the Chair of the OPSEU Pension Trust, the Vice-Chair of KP Autism Services and a member of the Investment Committee of Cystic Fibrosis Canada.

Patrick J. Dillon

Patrick J. Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since 1997.

He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers (IBEW). In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario where he was responsible for establishing the very successful Provincial Organizing Department.

Mr. Dillon was appointed by the Government of Ontario to serve on the Board of Directors of the Workplace Safety and Insurance Board (WSIB). He also serves as a director on the following organizations: Ontario Construction Secretariat (OCS), the Construction Safety Association of Ontario (CSAO), Construction Sector Council of Canada and the De Novo Treatment Centre. Dillon also served on the Hamilton Harbour Commission.

In addition, Mr. Dillon is active in his hometown of Hamilton where he is an avid curler and golfer.

Mr. Dillon is married and has two children.

BOARD OF DIRECTORS (Continued)

David Livingston

President and Chief Executive Officer

As President and Chief Executive Officer of Infrastructure Ontario, David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario. Infrastructure Ontario also runs the Province's strategic infrastructure financing programme.

Mr. Livingston obtained his B.Sc from the University of Western Ontario in 1973 and his MBA from Queen's University in 1976. He and his wife have two grown children.

Mr. Livingston is a Director of eHealth Ontario, Ontario Infrastructure Projects Corporation, Ovarian Cancer Canada and The Children's Aid Society of Toronto.

Gadi Mayman

As chief executive officer of the Ontario Financing Authority (OFA), Gadi Mayman is responsible for the Province's borrowing and debt management strategy, and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked at the Export Development Corporation in Ottawa and in the International Division of the TD Bank. He received a B.A.Sc. in Industrial Engineering from the University of Toronto in 1981, and an M.B.A. from the University of Western Ontario in 1988.

Mr. Mayman is also a board member of the Ontario Capital Growth Corporation and Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Committee.

Isabel Meharry

Isabel Meharry is the Chief Financial Officer for Green Shield Canada which specializes in group and individual health and dental programs and administration.

A Chartered Accountant since 1980, Isabel has more than 25 years in senior financial and operating roles. Prior to joining Green Shield Canada, she held the position of President and Chief Executive Officer of Financial Executive International Canada. She has also served as the Executive Consultant to the Chairman and CEO of Sun Life Financial of Canada in Hong Kong, as an Executive Vice President Operations of Aviva Insurance Company, as the Chief Financial Officer of the Insurance Corporation of British Columbia and as the Chief Auditor at North American Life Insurance Company (now part of Manulife).

Isabel is the Chair of the Board of Directors of Kerry's Place Autism Services, and on the Board of Directors of the Scarborough General Hospital, and serves on the Council of the Institute of Chartered Accountants.

Isabel holds an MBA from Schulich School of Business, is a Chartered Director and was recently awarded her FCA.

Linda Robinson

Linda Robinson is a retired partner of Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, where she was a senior partner in the Corporate group and Chair of Osler's national business law department. Ms Robinson has a long standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

Jim Schwindt

Jim Schwindt is a Professional Engineer who started his career at Traugott Construction Limited in 1973 as an estimator and project manager. He was then promoted to General Manager in 1978 and became President and controlling partner in 1982. He retained this position until his retirement at the end of 2005.

Throughout his career, Mr. Schwindt has served as the director and chairman of numerous associations, such as the Council of Ontario Construction Association, the Ontario General Contractors Association and the Grand Valley Construction Association.

Mr. Schwindt graduated from the University of Waterloo in 1973 with a Bachelor of Applied Science in Civil Engineering.

Darija Scott

Darija Scott is Managing Principal of SCOTT Associates Architects Inc., which she co-founded in 1987. The Toronto-based firm's current project and consulting work in the international area centres around public/private infrastructure projects. This field has become an area of specialization for Darija. She has worked around the world on several high profile transport privatization projects with a diverse group of clients including operators such as Lockheed and Hughes, contractors Bouygues and Skanska, as well as entities such as British Aerospace and Aeroports de Paris, and various airport authorities.

Her firm SCOTT Associates were the Design Architects for Terminal 3 at Toronto Pearson and have several major assignments at Pearson including the design of the new 13,200-vehicle garage at Toronto's new terminal development as well as the upgrade and expansion of Terminal 3.

Darija runs the firm's Business Development divisions in both Canada and the US.

Anthony Salerno

Mr. Salerno currently serves as the President of Integrity Works, Inc., a consultancy firm focused on providing a variety of business services to the private and public sectors related to corporate governance, regulatory compliance and business ethics.

From 2000 until 2005, Mr. Salerno served as Managing Director of Global Investment Banking and Investment and Corporate Banking at BMO Nesbitt Burns. From 1995 to 2000, Mr. Salerno served as Chief Executive Officer and Vice-Chair of the Ontario Financing Authority, where he advised the Minister of Finance on many initiatives, including the restructuring of Ontario Hydro. Prior to that, he held many positions of increasing responsibility in the Ministry of Finance and the Ministry of Transportation, where he led the development and implementation of the original Highway 407 public-private partnership.

He has also served on a number of boards, including Cornerstone Capital, the Ontario Clean Water Agency and Superbuild Corporation

John Swinden

John Swinden is a retired partner from Ernst & Young Toronto. In his 39 year career with the firm he practiced auditing and accounting in a number of areas that included audits of large construction companies, computer audit specialty services, micro computer audit practice support and forensic accounting. He also served as the chief financial officer for the Canadian practice. His final responsibilities were for risk management and lived in London UK where he served as the world-wide director of risk management for Ernst & Young International.

Mr. Swinden holds a B.Com. from the University of Toronto and has been elected a Fellow of the Ontario Chartered Accountants Association. He is a Certified Fraud Examiner and holds a certificate in conflict resolution. He has been actively involved in professional and community activities over the years, including directorships at Young People's Theatre, Transparency International Canada and Toronto Summer Music Foundation. Currently he is a director and audit committee chair of a private Ontario based North American auto parts company as well as a director and treasurer of Stevenson Memorial Hospital in Alliston.



BOARD COMMITTEES

Audit Committee

The Audit Committee is responsible for overseeing Infrastructure Ontario's risk management and financial reporting. It reports to the Board of Directors, assisting it in discharging its oversight responsibilities relating to Infrastructure Ontario's risk exposures arising from its financial activities.

Credit and Risk Management Committee

The purpose of the Credit and Risk Management Committee is to ensure that Infrastructure Ontario adheres to the Credit Risk Policy and the Asset Liability Management Risk Policy approved by the Board of Directors, to recommend policies to the Board of Directors, and to monitor Infrastructure Ontario's risk profile.

Governance and Compensation Committee

The role of the Governance and Compensation Committee is to make recommendations to the Board of Directors with respect to the composition of the Board of Directors and its committees, and to promote a set of corporate governance principles aimed at fostering a healthy governance culture at Infrastructure Ontario. The Committee is also responsible for reviewing and recommending for approval the compensation of the Chief Executive Officer. In addition, they oversee Infrastructure Ontario's employee bonus pool and the overall Human Resources expense.

Director Compensation

Each director who is not an employee of Infrastructure Ontario receives an annual retainer of \$5,000. Directors are compensated for each meeting that they attend and receive a fee of \$500 per meeting. Directors are also reimbursed for travel and other expenses they incur to attend meetings or to perform other duties in their role as a director.

Public Sector Salary Disclosure

Infrastructure Ontario is subject to the Public Sector Salary Disclosure Act and is obligated to report salaries over \$100,000. For purposes of applying the Act, salaries include bonuses and taxable benefits actually received during the year as reported for personal income tax purposes.

SENIOR EXECUTIVE

David Livingston **President & Chief Executive Officer**

As President and Chief Executive Officer of Infrastructure Ontario, David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario.

Mr. Livingston has 30 years financial industry experience, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario and his MBA from Queen's University. He is a director of eHealth Ontario, Ovarian Cancer Canada and the Children's Aid Society of Toronto in addition to Infrastructure Ontario. He and his wife have two grown children.

Tony Day **Senior Vice President, Human Resources & Information Technology**

Tony has over 30 years of diverse senior experience in Human Resources and Information Technology working for both the private and public sector across three provinces. His early career focused on business process reengineering and the development of credit card, financial and cost accounting systems in the private sector (Consolidated Bathurst and a major bank), and later the development and implementation of several information systems, primarily human resources, at Siemens and the ministries of Transportation, Education and Cabinet Office.

Tony's human resources experience in the last ten years has focused on guiding organizations in defining their business plans and leading large scale restructuring and transformation. Most recently, he helped the Ministry of Labour meet some difficult challenges and reshaped how HR services were delivered.

The challenge of building an organization from a concept, and a desire to realize the results of what we do attracted Tony to Infrastructure Ontario. He would like to be known for having designed and staffed an organization that is built to last, and employees are proud to be a part of.

Vas Georgiou **Senior Vice President, Project Delivery**

Vas has nearly 20 years of healthcare experience in both the public and private sectors. He has held numerous senior management positions in development and operations in the Healthcare and Hospitality industries, including the Metro Toronto Convention Centre, Toronto East General Hospital and St. Joseph's Healthcare Centre Toronto. He was also a Project Director for the major developments at Markham Stouffville Hospital, Hospital for Sick Kids, and Guelph General Hospital.

Prior to joining Infrastructure Ontario, Vas was the Executive Vice President Operations, Clinical and Support Services at the St. Joseph's Health Centre in Toronto, where he also served as the Interim President and CEO for an extended period.

In his current role at Infrastructure Ontario, Vas is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects.

SENIOR EXECUTIVE (Continued)

Mathew Kattapuram

Senior Vice President, Civil Infrastructure

Mathew joins Infrastructure Ontario from Carillion Canada, where he was Vice-President of Infrastructure Development. While at Carillion he became well-acquainted with IO and the AFP model, and led several multi-billion dollar AFP projects in the health care sector, including the Royal Ottawa, North Bay, Sault Area, Woodstock, Niagara and Bridgepoint Hospitals.

As part of his extensive experience in the construction of major civil infrastructure projects (highways, bridges and railway lines), Mathew also was in a leadership position for one of the proponents bidding for Highway 407, Canada's first transportation PPP project. He played an integral role in the development of Carillion's strategy for expanding its PPP project delivery and was responsible for identifying appropriate bidding opportunities, establishing bidding strategies, assessing risks, assembling consortia and bid teams, and leading the negotiations.

Mathew is a member of the Association of Professional Engineers of Ontario. He received his B. Sc. Civil Engineering degree from the University of Calgary and has completed an executive management program at Ashton University in Birmingham, U.K.

Mathew joined Infrastructure Ontario to be at the forefront of AFP Delivery. In particular, he will be looking to fulfill IO's mantra of on time and on budget as IO expands into roads and transit projects.

John McKendrick

Senior Vice President, Project Delivery

As the Senior Vice President, Project Delivery, John McKendrick is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects. Since fall 2005, John and his staff have been responsible for bringing some two dozen projects worth more than \$5 billion to market, and achieving financial close and construction start on 16 projects.

John came to Infrastructure Ontario with over 17 years of experience in the Provincial government. During that time, he gained expertise in finance, and infrastructure project development and delivery. Most recently he was an Assistant Deputy Minister in the Ministry of Public Infrastructure Renewal. He has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority. John has been involved in the financing of a number of infrastructure projects across various sectors, including hospitals, school boards, universities and crown agencies, as well as asset-based and other structured financings.

Bill Ralph**Senior Vice President, Infrastructure Lending and Chief Risk Officer**

With over 25 years of financial and managerial experience with the Government of Ontario, Bill is a proven leader in shaping the way that infrastructure projects are financed and delivered in Ontario. He established the Ontario Strategic Infrastructure Financing Authority (OSIFA) - an innovative, affordable and efficient public infrastructure loan program and the first of its kind in Canada. Prior to OSIFA, Bill led the development of Ontario's Infrastructure Planning, Finance and Procurement Framework as well as a number of high-profile projects for the Ministry of Finance.

In his current position at Infrastructure Ontario, Bill continues to play a pivotal role in developing the future of infrastructure investments in Ontario, including contributing to the adoption of the Building a Better Tomorrow framework across the broader public sector and raising the level of effective delivery of infrastructure investments through the delivery of the over \$2.5 billion Infrastructure Ontario Loan Program.

As Chief Risk Officer, Bill, in partnership with the senior management team, has developed and implemented an Enterprise Risk Management framework across the organization for all aspects of risk, including strategic, reputational, operational, financial and compliance-related risks; facilitate enterprise-wide risk assessments; ensure that risk identification is built into the business planning processes, including project, operational, financial and compliance-related activities; ensure that risk mitigation strategies are in place for the organization's critical risks; and ensure that a risk measurement and reporting system is in place that identifies key risk exposures and provides early warning signals.

Bill has an Honours Bachelor of Arts in Economics from Queen's University and a Masters in Business Administration from York University. He and his wife, Lezlie, have three children – two boys and a girl.

Steven Richards**Senior Vice President, Shared Services**

Steven Richards is the Senior Vice President of Shared Services at Infrastructure Ontario. In this capacity, he manages five departments dedicated to supporting the Project Delivery teams at Infrastructure Ontario: Legal, Finance, Procurement, Communications and the Program Management Office.

He has been with Infrastructure Ontario from its beginning, serving the organization in several capacities, including Vice President of Project Legal, and Senior Vice President of the Nuclear Procurement Project.

Prior to joining Infrastructure Ontario, Steven worked for Johnson Controls, Bombardier and Gowlings. He is a graduate of McGill University and the Queen's University Faculty of Law. He was admitted to the Ontario Bar in 1990.

SENIOR EXECUTIVE (Continued)

George Stewart

Senior Vice President, Project Assessment

George has over 25 years of diverse experience developing commercial real estate across Canada and has worked with some of Canada's largest developers. He has held senior development roles with Oxford Properties Group, Borealis Real Estate, Morguard Investments and Cambridge Shopping Centres.

George was attracted to Infrastructure Ontario by the opportunity to build legacy projects and utilize his extensive experience and skill set to create a bridge of understanding and sense of "do-ability" between the private and public sectors to successfully deliver Infrastructure Ontario's rigorous agenda.

In addition to his role at Infrastructure Ontario, George also conducts pro bono communication skills seminars for University student groups based on his corporate workshop, "The Essence of Communication is Connection." The purpose of this work is to provide students with the skills necessary to gain entry to and excel in the corporate environment.

Chad McCleave

Chief Financial Officer

Chad has over 20 years' experience working with Provincial and Municipal governments in the areas of financial reporting, strategic planning, performance management, risk management, governance and public private partnerships.

Chad joined Infrastructure Ontario from Pricewaterhouse Coopers LLP where, as Vice President of Government Advisory Practice, he provided advisory services to municipal and provincial governments and private sector firms and developed and implemented strategies to address the unique challenges they face. A former councillor of the Town of Newmarket, Chad led the establishment of the Town's Audit Committee and accounting policy framework. Prior to this, as Chief Financial Officer of the Ontario Transportation Capital Corporation, Chad was instrumental in the delivery of Canada's first toll highway from inception, through completion to privatization.

In addition to his role at IO, Chad has been appointed by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants to a national task force responsible for setting accounting standards for Government organizations and is also the volunteer Treasurer for community home assistance to seniors in York Region.

With his municipal background, Chad understands the huge infrastructure deficit municipalities are faced with and welcomes the opportunity to be part of an organization that accelerates construction to address this deficit and ultimately improve Ontario communities.

Andrew Lin
Head, Special Initiatives

As Head of Special Initiatives, Andrew leads projects that seek to optimize the financial structure of certain government-owned infrastructure assets through the participation of private sector investors. By partnering with the private sector in a collaborative governance of provincially-owned enterprises, the citizens of Ontario benefit from the management expertise and discipline brought by its private partners while still enjoying the economic benefits of continual asset ownership.

Andrew recently joined Infrastructure Ontario after nine years with Borealis Infrastructure, the infrastructure private equity arm of OMERS (the Ontario Municipal Employees Retirement System). As Senior Vice President at Borealis, Andrew was primarily responsible for leading and managing project deal teams in the acquisition of direct infrastructure investments. Andrew has transactional and asset management experience with infrastructure assets across multiple sectors such as energy, transportation, regulated utilities and public-private partnerships. With his debt and derivative hedging background, he also led several of the assets' debt financings and in the bank and capital markets.

Prior to Borealis, Andrew served as an investment banker in the Structured Finance Group of Scotia Capital for nearly five years. At the bank, he worked on structured financing solutions, such as securitizations and sale-leaseback financings, for corporate and public sector clients. Andrew was also a fixed income portfolio manager and quantitative analyst with Sun Life Investment Management.

Andrew has an Honours Bachelor in Applied Science degree in Systems Design Engineering from the University of Waterloo, as well as a MBA from York University. He is a licensed engineer with the Professional Engineers of Ontario. He also holds a Chartered Financial Analyst designation from the CFA Institute.

What attracted Andrew to Infrastructure Ontario was the opportunity to apply his long experience in financial and investment matters in a government agency and the chance to get in on the ground floor of exciting projects. During his time at IO, he would like to be recognized for successfully completing transactions that were considered challenging and have a meaningful positive financial impact on the Province's citizens.

Note: In the 2009-10 operating year, Jim Dougan held the position of Executive Vice President until November 2009 and Renato Discenza held the position of Senior Vice President, IT Project Delivery until December 2009.

CORPORATE ACCOUNTABILITY FRAMEWORK

OUR VISION

The “go-to” group for making Ontario public infrastructure projects happen.

OUR MISSION

We use the best of public and private-sector expertise to expand and renew public assets. We deliver public infrastructure projects on time and on budget using best practices recognized worldwide. We provide affordable rates of financing and project management expertise to a diverse public sector customer base. In short, Infrastructure Ontario makes public infrastructure projects happen.

SUCCESS FACTORS

This is how each of our Success Factors is defined at Infrastructure Ontario:

Public/Customer Focus

- Make customers aware that their needs are our priority
- Understand the customer’s objectives and earn their respect
- Demonstrate to our customers that their success is our success

Collaborative Effort

- Facilitate a partnering approach by establishing common goals and objectives
- Develop flexible work plans that address customer needs
- Develop an integrated organization that excels in sharing knowledge and resolving problems

Expert Team

- Our team has extensive skills and industry-proven experience
- Our team works effectively with all stakeholders
- Our team is motivated and passionate about what we do

Excellent Results

- Define success, deliver value
- Deliver what we committed on time, on budget, on scope
- Manage and mitigate project risk

Continuous Improvement

- Source and apply best practices, creating centres of expertise
- Continuously identify lessons learned and preferred solutions
- Invest in staff training, systems and technology to foster organizational development

OUR CULTURE

In general terms of behaviour, this is how each of the values that comprise our culture is defined at Infrastructure Ontario:

Respectful

- We treat each other, our partners and customers with dignity and openness
- We recognize different skills and the expertise of each team member and learn from each other
- We share the fundamental belief that there is a reason to respect everyone and their views

Resourceful

- We share information, communicate status and results, and transfer knowledge
- We go the extra mile to get the job done
- We use the best tools available and draw on the expertise, creativity and knowledge of the team

Results-Focused

- We are accountable—no excuses
- We develop effective solutions—we get it done
- We use 'and' thinking—we turn obstacles into opportunities



MANAGEMENT DISCUSSION & ANALYSIS

Infrastructure Ontario (IO) is a Crown corporation owned by the Province of Ontario and governed by a Board of Directors. IO is dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget. IO also provides Ontario municipalities, universities and other public sector entities with access to low-cost loans to build and renew local public infrastructure.

This Management Discussion and Analysis (MD&A) is intended to provide an overview of IO's financial activities for the year ended March 31, 2010 and should be read in conjunction with the audited financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

RESULTS OF OPERATIONS & FINANCIAL HIGHLIGHTS

Loan Program

The Loan Program surpassed a major milestone during the year, having provided more than \$2.3 billion in financing for infrastructure projects since its inception.

During the fiscal year loans increased by \$590 million. To fund these loans, IO has:

- Expanded its short term commercial paper program and increased borrowings by \$225 million
- Borrowed \$350 million from the Province of Ontario
- Decreased short term and long term investments by \$15 million

Due to challenging market conditions during the year, interest rates decreased significantly over the prior period on temporary investments, loans, commercial paper and long term debt. For example, the Ontario T-bill rate for investments decreased from an average of 1.5% last year to 0.3% this year, while short term commercial paper decreased from an average of 2.3% to 0.3% at year end. As a result, interest expense on the Loan Program debt and interest revenue on loans and investments decreased by \$22 million and \$18 million, respectively.

During the fiscal year, IO's concessionary Loan Program came to a close. As a result, the concession expense related to loans issued at a subsidized rate decreased significantly over the prior year, from \$11 million to \$3 million. The low number of concessionary loans issued contributed to the overall loan program net income of \$376 thousand.

Over the prior year, operating expenses remained constant, in light of increased loan activity throughout the year.

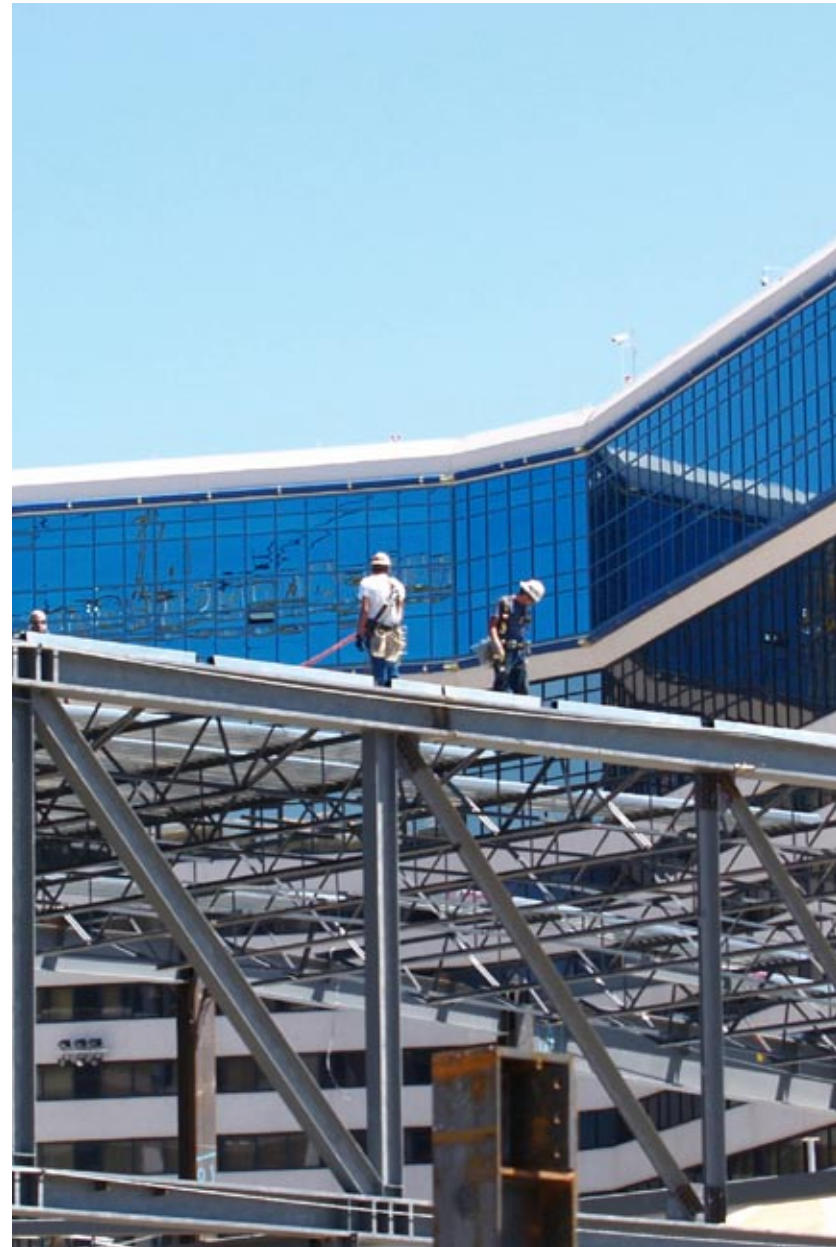
AFP Projects

During the year, IO achieved substantial completion on ten projects. IO was able to fully recover all project costs related to these projects; the proceeds were used to repay \$30 million of additional borrowings under the OFA Revolving Credit Facility. As of March 31, 2010, the outstanding balance on the OFA Revolving Credit Facility was \$100 million.

During the year, IO refined its project cost allocation model, which enabled IO to assign direct and indirect costs to projects at various stages of project development. Using this allocation model, IO has adopted a percentage of completion approach to recognize both revenues and related costs during different project phases. The use of this method enables IO to evaluate the sufficiency of its fee structure and adjust fees on future projects, to ensure a breakeven approach to cost recovery.

Under the new method, project revenue is recognized based on reaching specific milestones. Prior to reaching a milestone, costs are recorded as work in progress under 'Deferred Project Costs'. When the milestone is reached, costs are reflected as an expense and project revenue is reflected based on a percentage of actual costs over total projected costs.

During the year, IO recovered selected project costs in advance at the request of various clients. In order to align with the new revenue recognition policy these amounts have been included as part of a 'Deferred Revenue' account, and will be recognized into revenue as milestones are achieved.



RISK ASSESSMENT & RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

Infrastructure Ontario is currently developing an Enterprise Risk Management (ERM) Program that will be applied by senior management and staff across the organization. It is designed to identify potential events that may affect the ability of Infrastructure Ontario to achieve its objectives, and manage risks in order to provide reasonable assurance that the impact of any risk events will be minimal.

An ERM Framework and Policy has been developed and approved by the Board. The documents address the structure of the key components to managing Infrastructure Ontario's risk, including an overall approach to assessing, managing and coordinating risk responses across the organization, including integration with operations management and internal control processes. The documents also outline key elements of the ERM Program, including the governance structure, reporting and monitoring requirements and the roles and responsibilities of key stakeholders.

In 2010-11, Infrastructure Ontario will develop a detailed implementation plan based on a current state risk assessment that will be completed early in the fiscal year. This will include the development of key performance indicators and key risk indicators for reports and monitoring by senior management and the Board.

AFP PROJECTS RISK

Construction Industry Capacity Risk

Infrastructure Ontario assessed Construction Industry Capacity with an extensive study issued in October 2007. The study was revisited in 2009 showing that it has not changed significantly. A number of risks continue to be present with regard to market capacity:

- with the large pipeline of transportation and transit infrastructure projects in Ontario and from across Canada coming to market in the coming years, there will need to be assurance that there is adequate management, estimating and construction expertise in the global market to bid and construct them
- with a number of social accommodation, Design-Build-Finance-Maintain projects expected to be released by Infrastructure Ontario into the market in the next 18 months, there needs to be similar assurance that there is adequate management, estimating and construction expertise in market to handle the number and size of projects

Financing Risk

While the financial markets improved, they have not returned to their pre-crisis state. The financial markets continue to put a strain on limited lending resources into Infrastructure Ontario's expanding portfolio of AFP projects.

To manage these risks, Infrastructure Ontario continues the strategy to revise procurement processes as well as implement key structural changes in an effort to maximize ongoing participation in the program. These changes include:

- introduction of shorter price bid validity periods on lenders' credit spreads with a benchmarked resetting of lenders' pricing from RFP submission to Financial Close
- increased flexibility in the submission process to allow for reasonable changes in lending terms and conditions after RFP submission
- enhanced RFQ and RFP financial evaluation criteria and scoring to ensure a more thorough assessment of bidders' strength and commitment to reach Financial Close

- to address the long-term debt liquidity issue, the amount of public funding has been increased by increasing the size of the Substantial Completion payment and by introducing a capital payment two years post Substantial Completion once operations are fully up and running and the transition risks have been diminished
- Infrastructure Ontario continues to encourage new sources of long term debt financing to participate in all projects, most notably the major pension funds

With the changes introduced above, and through ongoing consultation with industry stakeholders (including banks, equity providers, developers, contractors, etc.), the Infrastructure Ontario AFP program remains a solid and attractive investment in a difficult and challenging market environment.

Construction Risk

All AFP projects in the construction phase are required to employ project controls and risk management procedures consistent with guidelines and requirements developed by Infrastructure Ontario following best practices and tailored specifically to the AFP program. These guidelines and requirements are set out (in increasing detail), in the MOU, Project Charter, and Project Implementation Plan (PIP) executed for each project by Infrastructure Ontario and the Co-Sponsor or Ministry (in the case of a Public Works project). Additionally, a manual containing a broad base of project management guideline materials generally applicable to AFP projects is provided to all key Project Management Team representatives.

Infrastructure Ontario's project controls applicable to all projects focus on the following areas:

- Change Management (contract and scope change controls)

- Infrastructure Ontario mandate and oversight (applicable to healthcare projects where the implementation phase is managed directly by the healthcare organization)
- Budget and cost management (including contingency management)
- Project Reporting
- External communications

Risks Events

The potential to negatively affect the construction of a project can come in many different forms. A key to effectively managing risk events that arise during construction is prompt identification and reporting to the project participants responsible for managing risks. Through the various project documents (e.g., Project Agreement and PIP) and through various project forums (e.g., project works committees, joint building committees, AFP Construction Committee), risks that arise are reported and include an assessment of their potential impact on the project and to develop a plan to control or mitigate the risk. Infrastructure Ontario holds monthly AFP Construction Committee meetings attended by senior Infrastructure Ontario management and project delivery team members to review the project status, risk management, schedule performance, contingency status, stakeholder issues and budget/cost status of all projects in construction. Infrastructure Ontario's standard monthly reporting template forms the basis of the reports. This process ensures that appropriate and timely action is taken on issues and risks as they arise.

AFP PROJECTS RISK (Continued)

Transition Risk

As Infrastructure Ontario delivers on its mandate to bring a significant number of projects to substantial completion over the next three to five years, there will be challenges for the government ministries involved. As projects move from the construction phase of delivery to the operations phase, a number of risks exist as the transition is executed. Project co-sponsors and client ministries are responsible for ensuring that projects are ready from an operational standpoint including such logistics as staffing, funding and managing public expectations. Government needs to be prepared to manage these risks for the significant number of projects coming to fruition as a result of Infrastructure Ontario's project delivery.

Operational Risk

The AFP model carries a number of complexities that could contribute to operational risk. Examples of these complexities include:

- ongoing compliance with Output Specifications
- managing the payment mechanism when there are service and availability failures
- issues with lifecycle administration and 'handback to the owner' requirements

Infrastructure Ontario is working towards mitigating operational risk related to these potential issues. For public works projects, Infrastructure Ontario has completed a comprehensive, user-friendly operations manual for client ministries. The manual is designed to improve understanding of the complexities involved in the AFP model and, particularly, how public works projects are assigned or 'handed back' to the Ontario Realty Corporation at construction completion. In addition, a similar manual is being developed for healthcare projects.

Infrastructure Ontario also helps mitigate operational risk by asking bidders to present innovations for Leadership in Energy and Environmental Design (LEED) on all projects. These innovations often make their way into Infrastructure Ontario's Project Agreement with the successful bidder and can include improvements to: sustainable site development, water-use efficiency, energy efficiency, materials selection and indoor environmental quality. In the long-term, these requirements in the Project Agreement reduce overall expenses to the Province as costs decrease as a result of improved operating efficiencies.

LOAN PROGRAM RISK

Interest Rate Risk

Infrastructure Ontario's interest rate risk is considered to be low in relation to the income earning potential of the portfolios. Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if Infrastructure Ontario lends for a 20-year term (assets) and the debt that Infrastructure Ontario issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed, there is a risk that interest rates will have risen, resulting in either lower net interest income or, if Infrastructure Ontario is lending at a rate below its borrowing cost, a greater net loss.

Management controls interest rate risk through the natural alignment of asset and liability maturities and by employing interest rate swap derivatives. For instance, management has virtually eliminated interest rate risk in its reserve fund by investing in short-term investments with terms that match the loans from the Province and the Ontario Clean Water Agency (OCWA). For the floating rate construction loan portfolio, interest rate risk has similarly been kept to a minimum by employing similar maturity short term funding in support of these loans. Management of the interest rate risk on the long term fixed rate loans on the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through the Ontario Financing Authority (OFA) as more exact matching of asset and liability maturities is not possible for these loans as it is with the reserve and construction loan portfolios.

Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to Management and the Credit and Risk Management Committee of the Board of Directors. The Asset-Liability Management Policy provides Management with the tools to manage interest rate risk and the authority to instruct the OFA Capital Markets' staff to execute financial transactions to manage interest rate risk, including the use of derivatives. Infrastructure Ontario manages to a strict interest rate risk

limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Liquidity Risk

Infrastructure Ontario's liquidity risk is also considered to be low. Infrastructure Ontario's lenders are protected by a substantial Reserve Fund, initially funded by long-term subordinated loans provided by the Province. The Reserve's funds are largely invested in short-term, liquid instruments that can be converted to cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected, disruption to the short term commercial paper debt issuance program, or large unanticipated client cash requirements).

The primary objectives for the investment strategy are to maintain safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the Financial Administration Act of the Province of Ontario.

Infrastructure Ontario's borrowing plan is approved by the Board of Directors. All borrowing is made with prudent consideration of interest rate risks and liquidity risks and complies with the Asset Liability Management Policy. The Ontario Financing Authority coordinates and executes all borrowing activities. In 2009-10, Infrastructure Ontario increased the size of its short term Commercial Paper program to \$750 million.

LOAN PROGRAM RISK (Continued)

Credit Risk

The public sector nature of Infrastructure Ontario's borrowers generates a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. Credit risk is the primary concern of Infrastructure Ontario's Credit and Risk Management Committee of the Board of Directors.

The Credit Risk Policy ensures that the loan amounts are commensurate with both the borrower's ability to service debt, and Infrastructure Ontario's own risk tolerance. The Board approved Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan threshold limits for the risk and subsequent debt service capacity of the borrower. For instance, due diligence is conducted and a final scoring and maximum loan amount for each applicant is presented to Management for approval, and Board approval if necessary.

In December 2006, Infrastructure Ontario's Loan Program was expanded to include new types of borrowers, such as local hydro utilities, transit corporations, universities' federated and affiliated colleges, and not-for-profit long-term care service providers. In June of 2008 the loan program was further expanded to include public not-for-profit and co-operative social and affordable housing providers, local services boards, and not-for profit professional arts training institutions.

Some of the sectors that have become eligible for Infrastructure Ontario loans have different credit characteristics than Infrastructure Ontario's traditional municipal borrowers. Lending policies for each new sector of borrowers are approved before any loans are extended to new sectors in compliance with the standards set forth under the Credit Risk Policy. These policies include unique evaluative criteria, maximum loan thresholds, and maximum individual and sector exposure limits are created for each new sector of borrower.

Operational Risk

In 2010, KPMG updated Infrastructure Ontario's enterprise wide risk register. Overall, Infrastructure Ontario's operational risks (e.g. adequacy of financial systems/application, adequacy of policies and procedures, legal liability and potential for fraud, error or manipulation) were assessed as having a low to moderate level of risk exposure.

The results of this assessment will be utilized by the Internal Auditors, in developing a three-year Internal Audit Plan. The Audit Plan will encompass quarterly reviews of operational controls to ensure compliance against set policies and procedures. It will also incorporate a more strategic risk approach to the internal audit role.

Infrastructure Ontario has also completed a comprehensive Business Continuity Plan (BCP), including Disaster Recovery. The BCP handles crises such as systems failures, loss of physical office space or extended power outages.

Infrastructure Ontario continues to review and improve operating policies in order to minimize and mitigate operating risks. For example, insurance coverage has been expanded to include crime policies.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,



J. David Livingston
President & Chief Executive Officer



Chad McCleave
Chief Financial Officer

FINANCIAL STATEMENTS AS AT MARCH 31, 2009



Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Ontario Infrastructure Projects Corporation,
The Minister of Energy and Infrastructure,
and to the Minister of Finance

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation** as at March 31, 2010 and the statements of operations and accumulated 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 8, 2010

A handwritten signature in black ink, reading 'Hilborn Ellis Grant LLP', is positioned above the printed name of the firm.

Chartered Accountants
Licensed Public Accountants

BALANCE SHEET

ASSETS

MARCH 31, 2010 MARCH 31, 2009
(note 2 and 23)

Current Assets

Cash	\$ 3,278	\$ 4,118
Accounts receivable	35,422	29,578
Interest receivable	21,422	17,300
Current portion of debentures	115,170	91,693
Short-term investments (note 4)	707,604	771,266
	\$ 882,896	\$ 913,955

Long-term Assets

Loans receivable (note 5)		
- construction advances	\$ 577,625	\$ 314,701
- debentures	1,635,202	1,334,489
- deferred cost on concessionary loans	(110,555)	(119,764)
Project receivables (note 6)	67,900	77,955
Project costs (note 7)	25,805	17,260
Long-term investments (note 8)	246,375	203,005
Debt issue costs (note 9)	6,560	5,983
Deferred costs on hedging	3,958	6,883
Capital assets (note 10)	4,336	4,553
	\$ 2,457,206	\$ 1,845,065
TOTAL ASSETS	\$ 3,340,102	\$ 2,759,020

AS AT MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

LIABILITIES

Current Liabilities

	MARCH 31, 2010	MARCH 31, 2009 (note 2 and 23)
Accounts payable and accrued liabilities	\$ 11,191	\$ 15,481
Interest payable	26,790	24,501
Deferred Revenue	8,299	3,238
Commercial Paper (note 11)	669,804	444,689
	\$ 716,084	\$ 487,909

Long-term Debt (note 12 and 22)

Infrastructure Renewal Bonds	\$ 1,250,000	\$ 1,250,000
Province of Ontario Bonds	350,000	-
Province of Ontario Loans	1,000,000	1,000,000
Ontario Clean Water Agency Loan	120,000	120,000
OFA Revolving Credit Loan	100,000	100,000
	\$ 2,820,000	\$ 2,470,000

TOTAL LIABILITIES	3,536,084	2,957,909
ACCUMULATED DEFICIT	(195,982)	(198,889)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	\$ 3,340,102	\$ 2,759,020

Approved on behalf of the Board:

Director



Director



STATEMENT OF OPERATIONS & ACCUMULATED DEFICIT

	MARCH 31, 2010	MARCH 31, 2009 <i>(note 2 and 23)</i>
LOAN PROGRAM REVENUE		
Investment interest	\$ 10,862	\$ 28,874
Loan interest	45,786	46,284
Amortization deferred concession costs	12,218	8,842
Grant from Ministry of Energy and Infrastructure	4,785	6,013
	\$ 73,651	\$ 90,013
LOAN PROGRAM EXPENSE		
Interest expense (note 13)	\$ 63,617	\$ 85,352
Concession costs	3,009	10,738
Salaries and benefits	3,336	3,428
Administration and general	3,313	3,364
	\$ 73,275	\$ 102,882
LOAN PROGRAM NET INCOME	\$ 376	\$ (12,869)

AS AT MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

	MARCH 31, 2010	MARCH 31, 2009 (note 2 and 23)
PROJECT DELIVERY REVENUE		
Project revenue	\$ 56,441	\$ 72,498
Grant from Ministry of Energy and Infrastructure	5,130	4,813
	\$ 61,571	\$ 77,311
PROJECT DELIVERY EXPENSE		
OFA Revolving Credit Facility interest	\$ 3,625	\$ 3,324
Project advisory costs	33,177	48,558
Salaries and benefits	16,175	17,285
Administration and general	6,063	7,323
	\$ 59,040	\$ 76,490
PROJECT DELIVERY NET INCOME	\$ 2,531	\$ 821
Total Revenue	\$ 135,222	\$ 167,324
Total Expenses	132,315	179,372
Net Income (Loss) from operations as restated	\$ (2,907)	\$ (12,048)
Accumulated deficit, beginning of year, as previously stated	\$ (199,209)	\$ (186,340)
Adjustment for change in accounting policy (note 2)	320	(501)
Accumulated deficit as restated	\$ (198,889)	\$ (186,841)
ACCUMULATED DEFICIT, END OF YEAR (note 14)	\$ (195,982)	\$ (198,889)

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2010 (IN THOUSANDS OF DOLLARS)

	MARCH 31, 2010	MARCH 31, 2009 <i>(note 2 and 23)</i>
OPERATING ACTIVITIES		
Net loss from operations	\$ (2,907)	\$ (12,048)
Items not requiring a current cash outlay:		
Concession costs	3,009	10,738
Amortization of deferred concession costs	(12,218)	(8,842)
Other Amortization	(10,374)	(7,002)
	\$ (16,676)	\$ (17,154)
Changes in non-cash items:		
Increase in accounts and interest receivable	(9,966)	(17,913)
(Decrease) increase in accounts and interest payable	(2,001)	5,073
Decrease (increase) in project receivables and deferred project costs	6,571	(37,174)
Cash used in operating activities	\$ (22,072)	\$ (67,168)
FINANCING ACTIVITIES		
New debt issued	576,732	424,658
Net decrease (increase) in investments	20,292	243,018
Redemption of Ontario Opportunity Bonds	-	(323,032)
Cash from financing activities	\$ 597,024	\$ 344,644
INVESTING ACTIVITIES		
New loans issued	(678,806)	(366,109)
Loans receivable repayments	103,911	90,542
Acquisition of capital assets	(897)	(1,788)
Cash used in investing activities	\$ (575,792)	\$ (277,355)
NET (DECREASE) INCREASE IN CASH	(840)	121
CASH, BEGINNING OF THE YEAR	4,118	3,997
CASH, END OF THE YEAR	\$ 3,278	\$ 4,118

NOTES TO FINANCIAL STATEMENTS

BACKGROUND

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation (Infrastructure Ontario) to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods.

On July 17, 2006 pursuant to the Ontario Infrastructure Projects Corporation Act, 2006 ("OIPC Act") Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority (OSIFA) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure Projects Corporation.

Infrastructure Ontario is a Crown agency and reports to the Minister of Energy and Infrastructure. Pursuant to the OIPC Act, the objects of Infrastructure Ontario include the following:

- To provide financing for municipalities, universities and other public bodies in the Province of Ontario as may be specified by regulation.
- To obtain funding to finance its activities.
- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects in the province of Ontario assigned to the corporation by the Minister.
- Where requested by the Minister, provide financial and execution advice in respect of assets or interests of the Government and implement or assist in the implementation of transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the Lieutenant Governor in Council.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule

A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA).

Management Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Key areas where management has made estimates are in the percentage of completion on project revenues and costs. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

Revenue Recognition

Grant - Infrastructure Ontario receives grant revenue from the MEI in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once the corporate expenses are incurred, the grant is recognized as revenue.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fees for Services - Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded as costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs for projects that have reached the construction phase. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Project Advisory - Revenue relating to reimbursable costs for fixed price contracts are recorded when the projects reach the construction phase. All other recoverable costs are recognized as revenue when incurred.

Loan Program - Interest on investments and loans receivable are recognized using the effective interest rate method.

Deferred Project Costs

Deferred project costs represent direct and overhead costs attributable to projects that have not yet reached the construction phase. The pre-construction costs include legal advisors, technical advisors, staff costs and administrative overhead and interest.

Loans Receivable

Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using Infrastructure Ontario's cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Hedge Accounting

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long term debt and providing financing to public bodies. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to a hedge. Infrastructure Ontario purchases Province of Ontario bonds with similar terms to its long term debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, with maturities ranging from June 2013 to June 2039.

Infrastructure Ontario has chosen not to adopt hedge accounting for its interest rate swaps as described in note 3.

Short-term Investments

Short-term investments include money market securities and bonds with maturities of less than twelve months. Short-term investments are recorded at cost, which approximates market.

Debt Issue Costs

Debt issue costs incurred on the sale of Infrastructure Renewal Bonds & Province of Ontario Bonds are being amortized on a straight line basis over the life of the bond issues.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

2. CHANGE IN ACCOUNTING POLICY

During fiscal 2010 the organization changed its accounting policy for the treatment of project revenue and cost recognition to recognize revenues and costs using the percentage of completion method for certain projects. The policy is described in the accounting policies note 1 Fees for Services. In previous years the project revenue and costs were recognized as incurred under a full cost recovery model. Management judges that the new policy is preferable because it results in a more transparent treatment of the income or loss for individual projects and assists management in developing the pricing models for new projects.

The effect of the change in accounting policy has been applied retrospectively with the following effects.

The 2009 opening balances were restated as follows: accumulated deficit increased by \$501 thousand, project receivables decreased by \$19,698 thousand and deferred project costs increased by \$19,197 thousand.

The 2009 comparative figures have been restated as follows: project receivables were decreased by \$13,702 thousand, deferred project costs were increased by \$17,260 thousand, deferred revenue was increased by \$3,238 thousand, project delivery revenue was increased by \$2,759 thousand, project advisory costs were increased by \$1,848 thousand, Ontario Financing Authority ("OFA") revolving interest expense was decreased by \$98 thousand, project salaries and benefits were increased by \$211 thousand and project administration and general was decreased by \$23 thousand and net loss from operations was reduced by \$821 thousand. The cumulative effect on the 2009 closing accumulated deficit is a decrease of \$320 thousand.

3. RISK MANAGEMENT & DERIVATIVE FINANCIAL INSTRUMENTS

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives"). Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being both a borrower and a lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The hedges are created through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with more desirable characteristics. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments. Swap interest charges are netted against Loan Program revenue.

3. RISK MANAGEMENT & DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

All swap transactions have been completed with the OFA as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The OFA, as intermediary, has entered into concurrent contracts with third party financial institutions under the same terms and bears the credit risk of the swap transactions.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2010, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheet. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments. The mark to market totals are based on calculations prepared by the OFA and reflect the March 31, 2010 interest rate swap curve values.

Maturity Schedule of Infrastructure Ontario Derivatives

Maturity in fiscal year	Within 1 year	2 to 5 years	6 to 10 years	11 to 15 years	Over 15 years	Notional value total	Mark to market total
Debt	\$ -	\$ 276,914	\$ 681,946	\$ -	\$ 295,911	\$ 1,254,771	\$1,211,457
Loans Receivable	\$102,009	\$ 426,970	\$ 425,526	\$ 375,577	\$ 280,050	\$ 1,610,132	\$1,566,461

4. SHORT-TERM INVESTMENTS

Short-term investments of \$708 million (2009 - \$771 million) include money market investments with maturities of less than 12 months, recorded at cost. As at March 31, 2010 the interest rates on these investments ranged from 0.2% to 0.4%.

5. LOANS RECEIVABLES

Infrastructure Ontario assumed the concessionary loan program for municipalities and the infrastructure renewal loan program on the date of amalgamation with OSIFA.

As of March 31, 2010, construction advances of \$578 million are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal program.

A total of \$1,750 million in debentures receivable is due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

	2010		2009	
CONSTRUCTION ADVANCES				
Concessionary loan program	\$	1,300	\$	10,068
Infrastructure renewal loan program		576,325		304,633
	\$	577,625	\$	314,701
DEBENTURES	Interest %		Interest %	
Concessionary loan program				
Maturity within 5 years	\$	49,170 1.87 - 3.03	\$	1,553 1.87 - 2.31
6 to 10 years		126,883 2.06 - 2.71		186,412 2.06 - 2.71
11 to 15 years		136,170 2.28 - 2.95		66,303 2.28 - 2.67
16 to 20 years		317,238 2.36 - 2.87		407,144 2.36 - 2.95
Greater than 20 years		76,449 2.52 - 3.05		77,175 2.52 - 3.05
	\$	705,910	\$	738,587
INFRASTRUCTURE RENEWAL LOAN PROGRAM				
Maturity within 5 years	\$	44,587 3.15 - 5.07	\$	16,135 3.15 - 5.07
6 to 10 years		196,732 3.58 - 5.20		123,543 4.00 - 5.20
11 to 15 years		119,156 4.25 - 5.26		50,203 4.47 - 5.26
16 to 20 years		367,868 4.44 - 5.89		338,322 4.54 - 5.89
Greater than 20 years		316,119 4.73 - 5.91		159,392 4.78 - 5.91
	\$	1,044,462	\$	687,595
TOTAL DEBENTURES	\$	1,750,372	\$	1,426,182
LESS: PORTION DUE WITHIN ONE YEAR		115,170		91,693
LONG-TERM PORTION OF DEBENTURES	\$	1,635,202	\$	1,334,489

5. LOANS RECEIVABLES (Continued)

Deferred Costs on Concessionary Loans	2010	2009
Deferred costs on concessionary loans, beginning of year	\$ 119,764	\$ 117,866
Concession costs current year	3,009	10,738
Amortization concession costs	(12,218)	(8,842)
Deferred costs on concessionary loans, end of year	\$ 110,555	\$ 119,764

The organization has no significant credit risk with the current loan portfolio. Infrastructure Ontario has an intercept mechanism with the Province of Ontario which allows for funds owing to a Borrower from the Province to be redirected to Infrastructure Ontario.

Certain loans to public bodies are subject to restrictive covenants on assets and the borrower may be required to provide security agreements and loan insurance. Management actively reviews the credit performance of each Borrower and has determined no provision is required at year end.

6. PROJECT RECEIVABLES

Project recoveries are recognized either when the expense occurs or on a percentage-of-completion method (as described in Note 1). Certain project recoveries, including interest costs to finance the receivables, will not be billed until the completion of the project. Project receivables are due from various Ontario Ministries.

7. DEFERRED PROJECT COSTS

Deferred project costs represent the accumulation of project expenses incurred for projects that have not yet reached the construction phase. Once the project reached the milestone, revenue and its related expense will be recognized in that fiscal year.

8. LONG-TERM INVESTMENTS

Long-term investments consist of \$246 million (2009 - \$203 million) of bonds utilized as hedging instruments as described in Note 1, which are carried at cost. As at March 31, 2010 the interest rates on these investments ranged from 2.5% to 6.1% and maturities from November 2010 to June 2039.

9. DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net 2009	Net 2008
Infrastructure Renewal Bonds	\$ 8,604	\$ 3,533	\$ 5,071	\$ 5,983
Ontario Opportunity Bonds	1,525	36	1,489	-
Total	\$ 10,129	\$ 3,569	\$ 6,560	\$ 5,983

10. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2009	Net 2008
Computer equipment	\$ 3,001	\$ 2,128	\$ 873	\$ 1,151
Furniture and fixtures	911	343	568	660
Leasehold improvements	4,040	1,145	2,895	2,742
Total	\$ 7,952	\$ 3,616	\$ 4,336	\$ 4,553

11. COMMERCIAL PAPER

Infrastructure Ontario issues notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of \$750 million for terms of up to one year. During the year, interest on the notes ranged from 0.26% to 0.30%. As of March 31, 2010, maturities ranged from April 2010 to June 2010.

12. LONG-TERM DEBT

Infrastructure Renewal Bonds

Infrastructure Ontario assumed \$650 million of Infrastructure Renewal Bonds, on the date of amalgamation with OSIFA. The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

On August 26, 2008, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 3.95% per annum and mature on June 3, 2013.

12. LONG-TERM DEBT (Continued)

OIPC Bonds

Infrastructure Ontario has issued various bonds totaling \$350 million to the Province of Ontario for the purpose of funding its loan program. These bonds are subordinated obligations of Infrastructure Ontario and will rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario. The bonds bear interest from 2.97% to 4.73% per annum and maturities range from September 2014 to June 2039. Interest is paid semi-annually on these bonds until maturity.

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, has provided a twenty-year subordinated loan of \$120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly. During the year, interest on the loan ranged from 0.36% to 0.60%.

Province of Ontario Loan

The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of \$1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly. During the year, interest on the loan ranged from 0.22% to 0.42%.

The OCWA and Province of Ontario loans provide: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility

The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to \$200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2010, Infrastructure Ontario has utilized \$100 million (2009 - \$100 million) on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 2.1% to 4.6%, with maturities from September 2010 to February 2013.

13. INTEREST EXPENSE

	2010	2009
Province of Ontario loan	\$ 2,850	\$ 18,776
Infrastructure Renewal Bonds	55,816	51,926
Ontario Opportunity Bonds	-	1,404
Commercial Paper	1,705	10,136
Ontario Clean Water Agency loan	456	3,110
Province of Ontario Bonds	2,790	-
	\$ 63,617	\$ 85,352

14. FINANCIAL RESTRUCTURING PLAN

A proposal has been submitted to MEI, which recommends a remission of approximately \$200 million on the Province of Ontario loan. This would reduce Infrastructure Ontario's obligation on the loan to approximately \$800 million. If approved, the remission will be recorded as grant revenue and a reduction in the Province of Ontario Loan.

15. RELATED PARTY TRANSACTIONS

In addition to the loans from, the OCWA, the Province of Ontario and the OFA, Infrastructure Ontario receives a grant from MEI to cover the current operating costs shortfall on the loan program and corporate expenses. In 2010, the total grant was \$ 9.9 million (2009 - \$10.8 million).

Project costs and recoveries are also undertaken with various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, the Ministry of Transportation and Ontario Power Generation.

Infrastructure Ontario has also incurred costs for services of the OFA of \$1.1 million (2009 - \$1.2 million).

16. FUTURE EMPLOYEE BENEFITS

The organization provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of \$189 thousand (2009 - \$198 thousand) is based on formulas set by the Ontario Pension Board. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the financial statements.

The organization provides a defined contribution pension plan for all other full-time employees. The organization contributes 5% of the employee's base salary and up to an additional 2.5% of the employee's base salary as a matching contribution to amounts paid to the plan by the employee. The cost of this plan in the year was \$866 thousand (2009 - \$794 thousand).

17. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprice at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk including utilizing interest rate swap arrangements as detailed in note 3.

18. CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2010, Infrastructure Ontario was not aware of any such proceedings in process.

19. COMMITMENTS

On February 10, 2006, the Province announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis. The loan program was also expanded to help Ontario universities and other public bodies.

Program Year	Approved	Issued
2004-2005	\$ 553 million	\$ 464 million
2005-2006	384 million	252 million
2006-2007	48 million	40 million
2007-2008	449 million	375 million
2008-2009	609 million	368 million
2009-2010	618 million	294 million
	\$ 2,661 million	\$ 1,793 million

20. TRUST UNDER ADMINISTRATION

Infrastructure Ontario administers funds as an agent of the Ministry of Children and Youth Services relating to the Roy McMurtry Youth Centre project. The administered funds are a result of an arrangement that enabled Infrastructure Ontario to make the final construction payment to the construction consortium on behalf of the ministry. As of March 31, 2010, the funds under administration are \$2.6 million, which represents the holdback on the payment to the construction consortium. Infrastructure Ontario acts as trustee for this account as specified in the agreement. As such, these funds are excluded from the financial statements of this organization.

21. ECONOMIC DEPENDENCE

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

22. SUBSEQUENT EVENT

Subsequent to year end, Infrastructure Ontario issued OIPC bonds to the Province of Ontario totaling \$275 million for the purpose of funding its loan program. The bonds bear interest from 4.42% to 4.96% per annum and maturities range from June 2020 to June 2039. Interest is paid semi-annually on these bonds until maturity.

23. COMPARATIVE FIGURES

The comparative figures have been restated to reflect the current presentation.

GLOSSARY OF TERMS

AcSB - Accounting Standards Board

AFP - Alternative Financing and Procurement

BCP - Business Continuity Plan

CICA - Canadian Institute of Chartered Accountants

ERM - Enterprise Risk Management

GAAP - Generally Accepted Accounting Principles

IO - Infrastructure Ontario

LEED - Leadership in Energy and Environment Design

MEI - Ministry of Energy and Infrastructure

MOU - Memorandum of Understanding

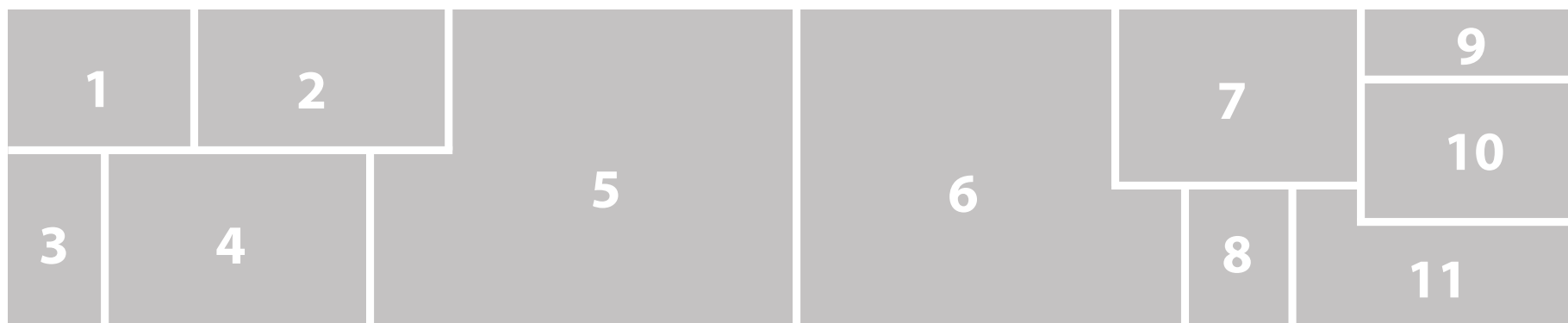
OFA - Ontario Financing Authority

OWCA - Ontario Clean Water Agency

PIP - Project Implementation Plan

PSAB - Public Sector Accounting Board

RFP - Request for Proposals



1. TIFF, Bell Lightbox - Loan Program Client
2. Bridgepoint Hospital, Toronto - AFP Project
3. Town of Lakeshore, Lakeshore Water Treatment Plant - Loan Program Client
4. Rouge Valley Health System's Ajax and Pickering Hospital - AFP Client
5. Canada's National Ballet School, Project Grand Jeté - Loan Program Client

6. Durham Consolidated Courthouse, Oshawa/Durham Region - AFP Project
7. Bruce County, Bruce County Museum & Cultural Centre - Loan Program Client
8. Trillium Health Centre, Mississauga and West Toronto - AFP Project
9. Drummond/North Elmsley Township, Municipal Office - Loan Program Client
10. Sunnybrook Health Sciences Centre, Toronto - AFP Project
11. City of Kingston, Calvin Park Library - Loan Program Client



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