



# Strategic Directions 2011 - 2016



November, 2011

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## **1. Introduction**

The Souris Harbour Authority Inc. (SHAI) is a community based not-for-profit corporation that took over port and harbour ownership and management from Transport Canada in 2006.

This strategic directions document is the second draft resulting from a review of the port's situational analysis, the authority's experience to date, consultations and a planning session with the SHAI board and management. After written feedback from the board, another planning session will take place in early November to finalize the Authority's strategic direction for the next five years.

## **2. Mission Statement**

*The Souris Harbour Authority Inc. owns and operates a safe, efficient, and financially viable port that facilitates the marine transportation and commercial needs of the industries it serves.*

## **3. Vision**

- The Souris Port is a successful, financially self-sustaining and environmentally responsible port providing marine and fishery services support.
- SHAI initiates new viable business development necessary to generate new revenues and support the business and economic development objectives of our community and the province.
- The Souris Port meets or exceeds all safety standards and regulatory requirements, providing a high level of safety to all port users.
- The Souris Port generates loyalty from its users and provides high levels of customer satisfaction while exhibiting a strong image of success.
- The Souris Port develops and maintains strong partnerships with the Eastern P.E.I. business community, government agencies, other ports in the Atlantic region and other community stakeholders to co-operatively maximize the value and economic impact of the port.

## **4. Situational Analysis**

The geographic, economic and business conditions at the Souris Port and Harbour center on a number of underlying circumstances that focus the strategic direction of the port. These include:

- The Souris Port is P.E.I.'s most easterly port providing both commercial marine shipping services as well as safe harbour berthage and buying stations for the fishery.
- The port is also the home of an interprovincial ferry service between P.E.I. and the Isles de la Madeleine, P.Q.
- The Souris Port is a cornerstone asset of economic importance in Eastern P.E.I. by virtue of its strategic location and long history as an important base for the fishery and commercial shipping;
- Operations are guided by many provincial and federal acts and regulations including a 15 year contribution agreement signed with the federal government upon transfer in 2006.

- Traffic is highly seasonal and heavily dependent on the strength of the construction industry and the mobility characteristics of the fishery;
- Growth in revenues is highly likely to be from new business initiatives rather than from traditional port operations;
- Revenue is highly dependent on earnings from vested funds;
- Expenses have a high fixed cost structure and increase as infrastructure ages;
- Partnerships and alliances with key industry and government stakeholders have and will continue to prove invaluable;
- Meeting or exceeding regulations and guidelines are standard management practices that fulfill the SHAI's commitment to environmental stewardship;
- Employee personal values, experience, commitment and team work positively contribute to the success of the corporation;
- SHAI has benefited from contracted services provided by its Business Development Consultant and Construction Management Advisor who are experienced, local professionals. This expertise has been most beneficial to SHAI's transition from a government operated port to a community based business.
- Board of Directors, management and contracted personnel foster good governance, initiative, teamwork, entrepreneurship and professionalism.

## **5. Value Statement and Opportunities**

- Facilities and Equipment

The Souris Port has excellent facilities and infrastructure. The port is capable of accommodating domestic and international marine traffic. The port has the most ice free of any commercial harbour on P.E.I. that is even more accessible in winter now that the CTMA ferry service operates year around. The Authority also maintains its facilities and operations equipment to a high and safe standard as evident by its annual investments in its capital program and the positive comments received by its users, residents and Transport Canada staff conducting annual monitoring visits.

- Sound Financial Position

The Authority enjoys a favorable financial position with total assets of \$28 million of which \$19.5 million is invested capital. Since transfer, over \$9 million has been invested in land, capital infrastructure, major repairs, equipment and improvements. This was achieved by utilizing \$5.7 million from internally generated reserves, \$1 million in financial contributions from government partners and \$2.9 million in long-term debt.

- Community/Business/Government Support

A dedicated and experienced Board of Directors has led the port's growth and development and with management has enjoyed excellent communications with and support from community, business and government stakeholders.

- New Marine Business Opportunities

To maintain and grow marine traffic, the Authority must seek new opportunities where demand is warranted. A marine business study being conducted by Capt. Jeff Monroe of HDR Inc., an international consulting group will be helpful in identifying new potential port users and opportunities. He is researching the business case and assessing shippers' interest, logistics and viability of using the port as a feeder container terminal.

- Lack of a Diversified Revenue Base and High Fixed Cost Structure

The Souris Port was divested by Transport Canada because the federal government was not committed to continue supporting this infrastructure. As a result, the divestiture contribution fund manifested the government's divestiture strategy, thus revenues from investments received from the divestiture contribution represent a high proportion of total earned revenue. Fifty-six percent of total earned revenues are from investments. For comparison purposes, the Charlottetown Harbour Authority's investment revenue represents 35% of its earned revenues. Notwithstanding this fact, in order for the Authority to grow operational revenues, it needs to expand its marine and land side business base. SHAI has prepared a long term capital repairs plan and has its 10 year financial forecast demonstrates it can sustain future major repairs.

- New Business Development

Since its start-up, the Authority has researched, prospected and implemented new business development opportunities. A waterfront lands and related business opportunities plan developed a vision and land use plan for the highest and best use of existing and future SHAI waterfront lands. These opportunities included a number of initiatives, some started and others not as noted in the Appendix "A". Other opportunities were subsequently identified as a result of SHAI's active involvement in the business community.

## 6. Goals and Action Strategies

The Authority has identified six long-term goals with twenty-one accompanying action strategies which support the SHAI mission statement and moves the Authority towards accomplishment of its vision. Goals and action strategies surround the following strategic elements:

### 6.1 Maintain High Quality Port Infrastructure and Services

*Provide facilities, infrastructure and services that exceed the expectations of the users, regulators, and tenants and contribute to a positive user and community image that meets or exceed all safety, security and environmental guidelines, standards, and regulations.*

#### Actions

- Ensure Capital Committee regularly follows and updates capital maintenance plan as prepared by EastPoint Engineering
- Maintain a progressive rehabilitation strategy for all berthing and topside infrastructure.
- Develop and implement an approved safety management system that exceeds best practices in the industry.
- With insurers, implement a risk assessment and incident reporting system.

## **6.2 Pursue Marine Services Growth**

*Pursuant to Jeffery Monroe's study, develop and maintain shipping services that increases port capacity and growth meeting the needs of the shippers, our industries and the users.*

### Actions

- Follow up on Jeff Monroe's recommendations including making necessary investments in capturing the potential new marine business.

## **6.3 Enhance Community and Customer Reputation**

*Increase community support, user loyalty and enhanced awareness of the value of our port.*

### Actions

- Revamp website profiling port and business initiatives.
- Personally invite media, business leaders, mayor and councillors, stakeholder organizations, MLA's, MP's, economic development people, etc. to a SHAI annual function.
- Issue media releases for significant port events and happenings.
- Have meetings with users when requested.
- Prepare a summary of community support provided by SHAI for inclusion in community newsletter, on website. Information should include support to various individuals and organizations (not names but the \$ amounts provided in total) to inform the community about SHAI's support in our community.
- Take advantage of representation and leadership in various organizations including IMPAC and ACPA.

## **6.4 Optimize Financial Performance**

*Operate a fiscally responsible and financially sustainable port that reduces the operating deficit and ensures sufficient capital reserves are available for capital improvements and major maintenance.*

### Actions

- Establish a Business Management Oversight Committee for the various new SHAI business entities to review performance and operations.
- When required, seek guidance and advice on financial matters from the Authority's auditors and other professionals including the investment management team.
- Continue to use the financial forecast spread sheet model with ten year operations cash flows to accurately project cash reserves against mid and long-term capital requirements. This spread sheet should be dynamic capable of sensitivity analysis with the ability to change assumptions in revenue and expenses (including payroll increases) in order to provide the Finance Committee and Board with an impact assessment tool for analysis and decision making when facing significant financial impact decisions.
- Review expense categories and accounts with the view to seek potential savings.

## **6.5 Initiate New Business Development**

*Continue the development of new businesses at the waterfront and in the Town of Souris in order to bring additional revenues to the corporation and generate positive economic impact to the area.*

### **Actions**

- Review new initiatives/projects through the Business Development/Marketing and Finance Committees and obtain final approval required by the Board of Directors.
- Seek new business initiatives/projects that have synergies with port and waterfront opportunities.
- Initiatives/projects should be designed to garner higher returns on SHAI's cash equity than traditionally received from the investment portfolio.
- Initiatives/projects should attempt to have government program contributions to reduce risk and lever SHAI's equity positions.
- Continue to work with Innovation PEI with business prospecting.

## **6.6 Practice Good Corporate Leadership and Culture**

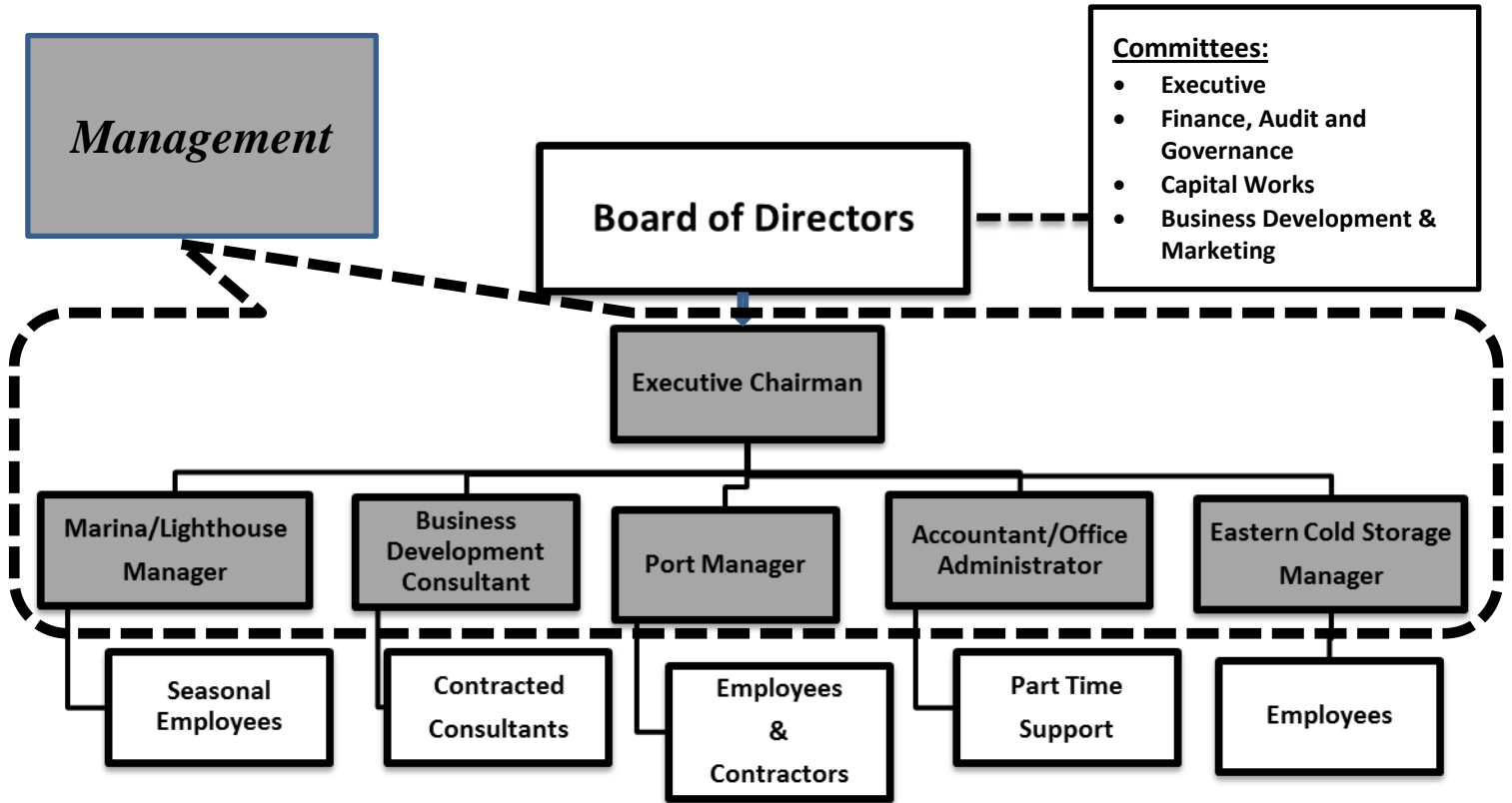
*Sustain and promote a corporate culture that ensures effective board governance and a talented, motivated and professional management team and staff who contribute to a viable port.*

### **Actions**

- Once every two years, hold a professional development session with the Board of Directors to provide new insights on the role and responsibilities of board members.
- Prepare a plan that offers professional development and training opportunities to management to ensure that employees have the required skills and competencies.
- Conduct a board evaluation on a scheduled basis.

## 6.7 Organization Structure and Decision Making

### Organization Chart





## **Decision Making**

In simple terms, the Board decides on the right things to do and the management decides on the right way to do them. The Board must be seen as independent, objective, and well informed, and avoiding micromanaging. Micromanaging means during board meetings discussing and communicating with management with questions on day to day details. Management must make and implement decisions that produce results acceptable to the corporation without placing it at an undue risk. The Board's principle function is to provide strategic direction to management to oversee the Corporation's performance. The Board should not be involved in the day to day operations and issues related to same. Since the management and staff work for the full Board and report to the Executive Chairman, neither Committees nor individual Board members exercise authority over the management or staff. The management need not seek Committee approval to carry out a management act; that is, an action that is included or intended to be included within an existing policy statement, spending authority or budget approved by the Board.

Financial authorities that permit spending to specific limits are authorized by Board policy and an excellent guide for independent management decision making. The Board should not be unduly questioning management spending decisions within their respective authorities. This is an example of micromanaging and lack of confidence in management. In other words, management has approved spending authority levels in order to efficiently transact company business. Board oversee of all expenditures is beneficial, but the Board's focus should be more on policy, strategic plans and issues and with mid to long term planning.

## **Committees**

Committees are assigned to provide more detail policy alternatives and implications on specific corporate areas of responsibility for board deliberation. They are responsible to reinforce the wholeness of the Board, but never to interfere with the delegation from the Board to the management. Members or Committees may not speak or act for the Board except when formally given such authority for specific and time limited purposes. Expectations and authority will be carefully stated in order not to conflict with the authority delegated to the management.

Since the management and staff work for the full Board, neither Committees nor individual board members exercise authority over the management or staff. The management need not seek Committee approval to carry out an executive/management act; that is, an action that is included or intended to be included within an existing policy statement or budget approved by the Board.

## **Appendix “A” SHAI New Business Development**

### Land Purchases

A strategic part of SHAI’s long term sustainability plan is to purchase properties adjacent to the port for future development. To date, 14 parcels totalling 13 acres costing \$376,000 purchased from 9 different owners. Key purchases allowed for consolidation of topside storage property on Breakwater Street and leases to Shirley’s Takeout, CTMA and Leo Mallard. Other purchases consolidate land east of marine facilities to and including the lighthouse and a strategic location on corner of Breakwater Street and MacPhee Avenue.

### Eastern Cold Storage

ECS opened for business at the end of June 2009. After an unusually successful first year with Oxford Foods filling the freezer, the business is now maturing in the market place with a wide variety of seafood and agriculture industry customers plus a growing bait freezing and storage service. In October/November 2011, SHAI management and MRSA are conducting a comprehensive cost/revenue review of ECS including its financing and operations.

### Souris Light House

After a number of years of negotiation, agreement was reached with Canada Coast Guard to divest the Souris Light to SHAI. In 2009, SHAI developed the facility and lands as an anchor waterfront attraction on the waterfront. In 2011/12, SHAI, with extensive financial support from Skills PEI is construction a 1,200 sq.ft. building to accommodate a gift shop and washrooms to enhance the lighthouse visitation experience. The building will be designed and built to look and feel similar to one of the smaller historic buildings that was on the site.

### Ice House

In 2009 after legal research, SHAI had determined that the ice house on the Marine Terminal Wharf that was operated by Ocean Choice International was owned by SHAI. Subsequently, SHAI leased the facility to OCI for two years but now operates it independently providing a full ice supply service to the fishery.

### Souris Marina

The Marina was divested to SHAI from the Town of Souris and under SHAI management is experiencing continual growth and in concert with a new topside storage facility forms an integral part of the waterfront development plan.

### Topside Vessel Storage

As part of the waterfront master planning process, SHAI developed a 2.5 acre topside storage facility for a marina/vessel services utilizing travel lift, winter storage on SHAI lands, and the utilization of local resources/services for refits, repairs, maintenance of vessels. SHAI levered 2/3 government funding for the \$450,000 construction cost of the facility.

### Canadian Coast Guard

In anticipation of the Canadian Coast Guard relocation from Charlottetown, SHAI prepared proposals, carried out public relations and lobbied to demonstrate the cost/benefit of a potential relocation to Souris. After CGG's decision to stay in Charlottetown, this project is not an active file for SHAI.

### CTMA Terminal Expansion

SHAI prepared plans and presented proposals to Transport Canada in concert with CTMA to expand Ferry Terminal and relocate marina to north side of the port. This project may have potential as SHAI is negotiating with Transport Canada on another matter that may have synergies with this project.

### Aquaculture

SHAI conducted studies and tests to measure salt content, yields and volumes of its salt water well and drilled a new well to encourage interest from aquaculture firms to establish a facility at the waterfront. Meetings and consultations were held with five different firms. To date, interest from Sustainable Blue, a Nova Scotia firm is being assessed.

### Wind Turbine Installation

SHAI had a study prepared by Carl Brothers P.Eng of Frontier Energy Systems on the economics of a wind turbine to support Cold Storage power supply. SHAI has obtained special permission from Province of PEI and Maritime Electric to install a 330 Kw turbine, which is well over the 100 Kw installations allowed by legislation. SHAI is now investigating green energy and other government funding support possibilities for the installation.

### Bio-Mass Energy Development

SHAI is engaging an engineering firm to prepare a pre-feasibility study with ROI payback analysis to feed district heat to AgraWest Foods and institutional users in eastern Souris. Supply of the bio feedstock would be non-commercial wood chips and/or rotation crops from the agricultural industry. The study will measure heat energy demand from a variety of eastern Souris institutional and industrial users including AgraWest Foods, Ocean Choice International, Eastern Cold Storage, the Eastern Kings Health Centre/Souris Hospital, the Eastern Kings Arena, and the Main Street Mall. Also, the new manor and K-12 school could be potential heat customers. All are or to be located in or close to the Souris Food Park in the eastern end of the town.

### Souris Harbour Centre

SHAI is purchasing the former French School property located on 41 Breakwater Street overlooking the Isles de Les Madeline Ferry Terminal. The purchase is for 1.26 acres of land bordering on Breakwater Street and Knights Ave. plus the main building that will allow for the development of commercial space. The main building would be completely renovated with new bay windows and outside decking facing the street and wrapping around to an expanded parking lot.

### Other Prospects

In concert with Innovation PEI, SHAI is in negotiations with two other companies who are considering relocating to Souris. These include a Nova Scotia yacht manufacturer and a British firm that tools parts for the aerospace industry.

# Appendix "B" SHAI Financial Forecast

| SOURIS HARBOUR AUTHORITY INC.         |                   | Expense >         |   | Revenue >         |                   | ROI SHF           |                   | ROI SOF           |                   |                   |                   |                   |      |  |  |
|---------------------------------------|-------------------|-------------------|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------|--|--|
| Financial Forecast                    |                   | 3%                |   | 3%                |                   | 4%                |                   | 6%                |                   |                   |                   |                   |      |  |  |
| For year ending March 31              |                   | Actual            |   |                   |                   |                   |                   | Projected         |                   |                   |                   |                   |      |  |  |
| (Confidential)                        |                   | 2010              | 2011  | 2012              | 2013              | 2014              | 2015              | 2016              | 2017              | 2018              | 2019              | 2020              | 2021 |  |  |
| <b>PORT OPERATIONS REVENUE</b>        |                   |                   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Berthage                              | 45,959            | 45,923            | 47,301  | 48,720            | 50,181            | 51,687            | 53,237            | 54,834            | 56,479            | 58,174            | 59,919            | 61,717            |      |  |  |
| Harbour Maintenance Fees              | 84,277            | 83,443            | 1,500   | 1,501             | 1,502             | 1,503             | 1,504             | 1,505             | 1,506             | 1,507             | 1,508             | 1,509             |      |  |  |
| Ice House                             | 9,390             | 24,424            | 25,157  | 25,911            | 26,689            | 27,489            | 28,314            | 29,164            | 30,038            | 30,940            | 31,868            | 32,824            |      |  |  |
| Lease and Permits Revenue             | 40,643            | 76,402            | 1,500   | 1,500             | 1,500             | 1,500             | 1,500             | 1,500             | 1,500             | 1,500             | 1,500             | 1,500             |      |  |  |
| Marina Fees                           | 13,974            | 20,893            | 50,000  | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            |      |  |  |
| Miscellaneous                         | 4,531             | 23,676            | 23,676  | 23,676            | 23,676            | 23,676            | 23,676            | 23,676            | 23,676            | 23,676            | 23,676            | 23,676            |      |  |  |
| Recreational Topside                  | 12,146            | 11,075            | 12,183  | 13,401            | 14,741            | 16,215            | 17,836            | 19,620            | 21,582            | 23,740            | 26,114            | 28,726            |      |  |  |
| Wharfage                              | 52,191            | 52,609            | 57,870  | 63,657            | 70,023            | 77,023            | 84,727            | 93,200            | 102,520           | 112,772           | 124,049           | 136,454           |      |  |  |
| <b>Total Ports Operations Revenue</b> | <b>263,111</b>    | <b>338,445</b>    | <b>219,186</b>  | <b>228,366</b>    | <b>238,311</b>    | <b>249,095</b>    | <b>260,795</b>    | <b>273,499</b>    | <b>287,302</b>    | <b>302,309</b>    | <b>318,634</b>    | <b>336,405</b>    |      |  |  |
| <b>Other Revenue</b>                  |                   |                   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Gain on Sale of Investments           | 220,200           | 172,991           | PROJECTED INVESTMENT REVENUE SHOWN IN CASH FLOW BELOW |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Government Contributions              | 4,722             | 8,076             |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Interest on investments               | 837,922           | 738,845           |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Transfer Contributions Recognized     | 712,452           | 888,107           |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Amortization of contributions         | 159,347           | 160,442           |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Unrealized Gains/Losses               | 207,235           | 166,944           |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| <b>Total Other Revenue</b>            | <b>2,141,878</b>  | <b>2,135,405</b>  |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| <b>TOTAL REVENUE</b>                  | <b>2,404,989</b>  | <b>2,473,850</b>  | <b>219,186</b>  | <b>228,366</b>    | <b>238,311</b>    | <b>249,095</b>    | <b>260,795</b>    | <b>273,499</b>    | <b>287,302</b>    | <b>302,309</b>    | <b>318,634</b>    | <b>336,405</b>    |      |  |  |
| <b>EXPENSES</b>                       |                   |                   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Advertising                           | 15,061            | 8,309             | 8,558   | 8,815             | 9,079             | 9,352             | 9,632             | 9,921             | 10,219            | 10,526            | 10,841            | 11,167            |      |  |  |
| Amortization                          | 190,525           | 207,092           | 0   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |      |  |  |
| Bad debt                              | 3,667             | -1,800            | 2,767   | 2,850             | 2,936             | 3,024             | 3,114             | 3,208             | 3,304             | 3,403             | 3,505             | 3,610             |      |  |  |
| Board remuneration                    | 82,700            | 82,400            | 54,872  | 56,518            | 58,214            | 59,960            | 61,759            | 63,612            | 65,520            | 67,486            | 69,510            | 71,596            |      |  |  |
| Business development and planning     | 64,709            | 22,072            | 22,734  | 23,416            | 24,119            | 24,842            | 25,587            | 26,355            | 27,146            | 27,960            | 28,799            | 29,663            |      |  |  |
| Donations                             | 9,350             | 7,215             | 7,431   | 91,599            | 94,347            | 97,178            | 100,093           | 103,096           | 106,189           | 109,374           | 112,656           | 116,035           |      |  |  |
| Engineering                           | 13,021            | 12,274            | 12,642  |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Fees and licenses                     | 4,363             | 4,972             | 5,121   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| IT services                           | 8,343             | 13,541            | 13,947  | 14,366            | 14,797            | 15,241            | 15,698            | 16,169            | 16,654            | 17,153            | 17,668            | 18,198            |      |  |  |
| Ice house                             | -                 | 21,774            | 22,427  | 23,100            | 23,793            | 24,507            | 25,242            | 25,999            | 26,779            | 27,583            | 28,410            | 29,262            |      |  |  |
| Insurance                             | 28,915            | 28,240            | 29,087  | 29,960            | 30,859            | 31,784            | 32,738            | 33,720            | 34,732            | 35,774            | 36,847            | 37,952            |      |  |  |
| Interest and bank charges             | 2,292             | 2,520             | 2,596   | 2,673             | 2,754             | 2,836             | 2,921             | 3,009             | 3,099             | 3,192             | 3,288             | 3,387             |      |  |  |
| Investment counsel fees               | 38,115            | 39,456            | 40,640  | 40,640            | 40,640            | 40,640            | 40,640            | 40,640            | 40,640            | 40,640            | 40,640            | 40,640            |      |  |  |
| Light house                           | -                 | 13,794            | 14,208  | 14,634            | 15,073            | 15,525            | 15,991            | 16,471            | 16,965            | 17,474            | 17,998            | 18,538            |      |  |  |
| Management fees                       | 66,099            | 77,733            | 93,000  | 95,790            | 98,664            | 101,624           | 104,672           | 107,812           | 111,047           | 114,378           | 117,810           | 121,344           |      |  |  |
| Marina                                | 13,723            | 17,162            | 17,677  | 18,207            | 18,753            | 19,316            | 19,895            | 20,492            | 21,107            | 21,740            | 22,393            | 23,064            |      |  |  |
| Meeting costs                         | 3,499             | 9,474             | 9,758   | 10,051            | 10,352            | 10,663            | 10,983            | 11,312            | 11,652            | 12,001            | 12,361            | 12,732            |      |  |  |
| Office supplies                       | 9,274             | 7,064             | 7,276   | 7,494             | 7,719             | 7,951             | 8,189             | 8,435             | 8,688             | 8,948             | 9,217             | 9,493             |      |  |  |
| Professional fees                     | 19,542            | 27,672            | 28,502  | 29,357            | 30,238            | 31,145            | 32,079            | 33,042            | 34,033            | 35,054            | 36,106            | 37,189            |      |  |  |
| Property taxes                        | 430               | 1,989             | 2,049   | 2,110             | 2,173             | 2,239             | 2,306             | 2,375             | 2,446             | 2,520             | 2,595             | 2,673             |      |  |  |
| Rental                                | 7,343             | 11,622            | 11,971  | 12,330            | 12,700            | 13,081            | 13,473            | 13,877            | 14,294            | 14,722            | 15,164            | 15,619            |      |  |  |
| Repairs and maintenance               | 77,153            | 73,914            | 76,131  | 78,415            | 80,768            | 83,191            | 85,687            | 88,257            | 90,905            | 93,632            | 96,441            | 99,334            |      |  |  |
| Reserve allowance                     | -                 | 261,315           | 0   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |      |  |  |
| Training                              | 5,266             | 100               | 1,000   | 1,000             | 1,000             | 1,000             | 1,000             | 1,000             | 1,000             | 1,000             | 1,000             | 1,000             |      |  |  |
| Travel                                | 19,447            | 39,703            | 29,575  | 30,482            | 31,376            | 32,217            | 33,287            | 34,286            | 35,314            | 36,374            | 37,465            | 38,589            |      |  |  |
| Utilities                             | 84,788            | 61,227            | 73,008  | 75,198            | 77,454            | 79,777            | 82,171            | 84,636            | 87,175            | 89,790            | 92,484            | 95,258            |      |  |  |
| Vehicle                               | 6,240             | 6,240             | 6,427   | 6,620             | 6,819             | 7,023             | 7,234             | 7,451             | 7,674             | 7,905             | 8,142             | 8,386             |      |  |  |
| Wages                                 | 113,718           | 141,727           | 145,979   | 150,358           | 154,869           | 159,515           | 164,300           | 169,229           | 174,306           | 179,536           | 184,922           | 190,469           |      |  |  |
| <b>Total Operating Expenses</b>       | <b>887,583</b>    | <b>1,198,801</b>  | <b>625,257</b>  | <b>642,766</b>    | <b>660,799</b>    | <b>679,374</b>    | <b>698,506</b>    | <b>718,212</b>    | <b>738,509</b>    | <b>759,416</b>    | <b>780,949</b>    | <b>803,128</b>    |      |  |  |
| <b>NET OPERATING INCOME</b>           | <b>1,517,406</b>  | <b>1,275,049</b>  | <b>-406,071</b>                                       | <b>-414,400</b>   | <b>-422,488</b>   | <b>-430,279</b>   | <b>-437,711</b>   | <b>-444,713</b>   | <b>-451,207</b>   | <b>-457,107</b>   | <b>-462,314</b>   | <b>-466,723</b>   |      |  |  |
| <b>CASH FLOW IN</b>                   |                   |                   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Beginning Cash                        |                   |                   | 123,055   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Beginning Investments                 |                   |                   | 19,711,080  | 19,757,508        | 19,640,493        | 19,540,477        | 19,458,995        | 19,397,735        | 19,358,553        | 19,343,488        | 19,354,782        | 19,394,899        |      |  |  |
| Net Operating Income                  |                   |                   | -406,071  | -414,400          | -422,488          | -430,279          | -437,711          | -444,713          | -451,207          | -457,107          | -462,314          | -466,723          |      |  |  |
| Investment Income                     |                   |                   | 884,744   | 914,596           | 939,683           | 966,008           | 993,663           | 1,022,743         | 1,053,354         | 1,085,612         | 1,119,642         | 1,155,583         |      |  |  |
| <b>Total Cash Available</b>           |                   | <b>123,055</b>    | <b>20,312,808</b>                                     | <b>20,257,704</b> | <b>20,157,688</b> | <b>20,076,206</b> | <b>20,014,946</b> | <b>19,975,764</b> | <b>19,960,700</b> | <b>19,971,993</b> | <b>20,012,110</b> | <b>20,083,758</b> |      |  |  |
| <b>CASH FLOW OUT</b>                  |                   |                   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Major Capital Repairs                 |                   |                   | -555,300  | -617,211          | -617,211          | -617,211          | -617,211          | -617,211          | -617,211          | -617,211          | -617,211          | -617,211          |      |  |  |
| Net Cash Available                    |                   |                   | 19,757,508  | 19,640,493        | 19,540,477        | 19,458,995        | 19,397,735        | 19,358,553        | 19,343,488        | 19,354,782        | 19,394,899        | 19,466,547        |      |  |  |
| Souris Harbour Fund                   |                   | 15,602,705        |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| Souris Opportunity Fund               |                   | 4,108,376         |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| <b>Total Investments</b>              |                   | <b>19,711,081</b> |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |      |  |  |
| <b>End of Year Unrestricted Funds</b> | <b>4,815,057</b>  | <b>6,214,800</b>  | <b>7,703,143</b>                                      | <b>9,219,465</b>  | <b>10,765,145</b> | <b>12,341,657</b> | <b>13,950,580</b> | <b>15,593,603</b> | <b>17,272,538</b> | <b>18,989,332</b> | <b>20,746,077</b> |                   |      |  |  |
| <b>End of Year Restricted Funds</b>   | <b>14,896,023</b> | <b>13,542,708</b> | <b>11,937,351</b>                                     | <b>10,321,012</b> | <b>8,693,850</b>  | <b>7,056,078</b>  | <b>5,407,973</b>  | <b>3,749,886</b>  | <b>2,082,244</b>  | <b>405,566</b>    | <b>-1,279,530</b> |                   |      |  |  |
| <b>Total Investments</b>              | <b>19,711,080</b> | <b>19,757,508</b> | <b>19,640,493</b>                                     | <b>19,540,477</b> | <b>19,458,995</b> | <b>19,397,735</b> | <b>19,358,553</b> | <b>19,343,488</b> | <b>19,354,782</b> | <b>19,394,899</b> | <b>19,466,547</b> |                   |      |  |  |

- Notes to Forecast:**
- Actuals from 2010 and 2011 audited statements.
  - CTMA Harbour Maintenance Fees shown as uncollectable through reserve account.
  - Minor Repair and Maintenance estimated at average of last two years.
  - Major Capital Repairs are projected using EastPoint Engineering estimates for first year and averaging next ten years.
  - Scotia Asset Management investment return estimated at 4% on restricted funds and 6% on unrestricted funds.
  - Allocations are made from restricted to unrestricted funds as operating and capital expenditures are made and income is.
  - Board and Meeting expenses reduced by \$30,000 (CEO/Chairman's honourium) and \$45,000 added to management.
  - Revenues are estimated to increase 3% per year.
  - Expenses and payroll are estimated to increase 3% per year.
  - Depreciation not reflected as this forecast mainly a cash flow analysis.
  - Transactions between SHAI and Eastern Cold Storage are not consolidated in this forecast. ECS analysis to be presented after preparation and review by management.