

Schedule 1.1(b) - Pro-Forma Balance Sheet

SEE ATTACHED

ConcessionCo
Notes to Revised Pro Forma Balance Sheet
As at December 31, 1998
(Unaudited - in thousands of dollars)

1. Basis of presentation

The accompanying pro forma balance sheet is unaudited and has been prepared based on the December 31, 1998 balance sheet of the Ontario Transportation Capital Corporation ("OTCC" or the "Corporation"), after giving effect to the pro forma adjustments required to reflect a series of transactions to be undertaken prior to the divestiture of the shares of ConcessionCo by the Province of Ontario. These transactions and assumptions are outlined in note 2 below. The pro forma adjustments have been estimated using the most recent available information. However, the actual adjustments to reflect the closing of the transactions may vary with the passage of time and as more complete information becomes available.

2. Proposed transactions and pro forma adjustments

The pro forma balance sheet has been prepared as if the following transactions had been completed as of the balance sheet date:

- i. OTCC transferred all of its land to the Province of Ontario (the "Province");
- ii. ConcessionCo leased back the Highway 407 lands, the operations centre lands and the patrol yard lands for 99 years from the Province and ConcessionCo will pay ground rent of one dollar per annum. The Province transferred title to all improvements on Highway 407 Central and Highway 407 West to ConcessionCo;
- iii. The Province of Ontario converted \$1,505,246 of ConcessionCo notes payable and long term debentures, \$46,479 in accounts payable, \$17,808 of accounts receivable and \$12,972 in related deferred financing costs into an equity investment, which conversion ConcessionCo reflected in contributed surplus;
- iv. Deferred revenue of \$201,909, representing the contribution of highway structures (bridge and interchange work in process) from the Province, was converted into contributed surplus;
- v. The Province contributed \$38,000 in highway structures related to Highway 407 West to OTCC; and
- vi. OTCC is converted from an agency of the Province into a share capital corporation named ConcessionCo wholly owned by the Province and the contributed surplus of the corporation is converted into capital stock.

3. Summary of significant accounting policies

The pro forma balance sheet reflects the following significant policies:

- Toll highway under construction is stated at cost and includes direct construction or development costs (such as material and labour), interest and administration costs directly attributable to the construction or development activity, net of toll revenues, and income from leases during the construction phase. Capitalization of interest and administration costs, net of toll revenues during construction ceased on April 1, 1998, at which time the highway project was substantially complete;