

INTERGOVERNMENTAL AGREEMENT

for the

INTERNATIONAL BRIDGE

Sault Ste. Marie, Ontario and Michigan

Acting under the authorities cited in this Agreement, the St. Mary's River Bridge Company (SMRBC) and the Michigan Department of Transportation (MDOT) agree as follows:

I HISTORY

Following earlier agreements, on January 15, 1960 MDOT and SMRBC entered into an agreement for the construction and operation of an international bridge between Sault Ste. Marie, Michigan and Sault Ste. Marie, Ontario. The bridge was completed and opened to traffic in October, 1962 and, until September 1, 2000, was held and operated by the International Bridge Authority under the terms of that agreement and 1954 PA 99, MCL 254.221 et seq. Construction of the bridge was financed by the sale of revenue bonds, the last of which was retired by September 1, 2000. The original agreement provided that, upon retirement of the bonds, the portion of the bridge within Ontario would be disposed of as directed by the proper authorities in Canada and the portion of the bridge within Michigan would be disposed of as directed by the proper authorities in the United States of America. Under 1954 PA 99 *supra*, the portion of the bridge in Michigan was conveyed to MDOT. In accordance with Order in Council P.C. 2000-1166 of July 28, 2000, the portion of the bridge in Ontario was conveyed to SMRBC. Since the effective date of the original version of this agreement, September 1, 2000, the Bridge has been administered, operated, repaired, and improved by the International Bridge Administration under the operational and policy supervision of the Joint International Bridge Authority (JIBA), both of which were created by the original version of this agreement. SMRBC and MDOT subsequently negotiated revisions to the 2000 Intergovernmental Agreement which revisions are incorporated into this revised Intergovernmental Agreement (Agreement).

II PURPOSE

This Agreement confirms and continues the partnership that has been formed between SMRBC and MDOT for the continued management and operation of the Bridge as a single entity. It also establishes the Sault Ste Marie Bridge Authority (SSMBA), replacing the former JIBA as the legal entity to provide operational and policy direction for the management and operation of the Bridge by an administrative unit within MDOT, the International Bridge Administration.

III PARTIES

Section 1. SMRBC was created by an Act of the Parliament of Canada known as An Act to incorporate St. Mary's River Bridge Company, 1955 S.C.c.64. In accordance with Order in Council P.C. 2000-1166 of July 28, 2000, SMRBC assumed ownership of the portion of the Bridge in Ontario upon retirement of the bonds. SMRBC is empowered by virtue of the said Act, and, prior to the effective date of this Agreement will be empowered by an Order in Council, to enter into this Agreement.

Section 2. MDOT is an agency of the State of Michigan, which holds ownership of the portion of the Bridge in Michigan, and is authorized to enter into this Agreement, by 1954 PA 99, MCL 254.221 et seq.

IV DEFINITIONS AND PROVISIONS

When used in this Agreement the following words and terms have the following meanings unless the context clearly indicates a different meaning or intent:

Section 1. "Bridge" includes the existing international bridge structure, approaches, entrance plazas, toll houses, administration, storage and other buildings and facilities and all equipment therefor, and may include buses and terminal facilities, together with all property, property rights, easements and interests which were conveyed by the International Bridge Authority to SMRBC and MDOT upon retirement of the bonds or subsequently acquired with Bridge Revenue.

Section 2. "Bridge Manager" is an MDOT employee assigned as part of the IBA to perform duties as described in this Agreement.

Section 3. "Bridge Revenue" includes all funds held by the International Bridge Authority upon its dissolution, and all toll receipts, income from leases, licenses or any other source which is attributable to the use or disposition of any portion of the Bridge during the period of this Agreement, including, without limitation, interest or other money received on account of investments and the proceeds of insurance received in the event of damage or destruction of any portion of the Bridge. If funds are provided to the International Bridge Administration (IBA) by gift or grant, those funds shall constitute Bridge Revenue except as otherwise provided in the terms of the gift or grant.

Section 4. "Capital Improvement" means a project, other than repair or routine maintenance, that is intended to extend the life of the Bridge. The substantial repainting and redecking of the Bridge are Capital Improvements. To constitute a Capital Improvement, at the time that a project is approved by SSMBA total estimated project costs within a single country, including the cost of any environmental assessment, design, engineering and other related costs, must exceed \$500,000. The planned construction of a new administration building is not a Capital Improvement. The Owners may consent in writing to the treatment of any given undertaking as a Capital Improvement. The Owners may also consent in writing to decrease or increase the

\$500,000 dollar measure of Capital Improvements. Capital Improvements are subject to approval by the Owner that must bear their cost. The contracting process for the Capital Improvement is within the control of that Owner, subject to full coordination with SSMBA and IBA.

Section 5. The "International Bridge Administration" (IBA) is a distinct administrative entity created within MDOT as provided in the Urban Cooperation Act of 1967, 1967 Ex Sess PA 7, MCL 124.501 et seq and this Agreement.

Section 6. "Operating Expenditures" are all expenditures for the purposes described in this Agreement, other than Owners' Expenditures, funded with Bridge Revenue. They include the cost of any activities that would normally and reasonably be considered as associated with the operation, repair, improvement, administration and normal maintenance of the bridge, excepting those included in Owners' Expenditures. Operating Expenditures include depreciation of any vehicle, equipment, machinery or toll device. Operating Expenditures include the cost to construct a new administration building when approved by SSMBA and any other cost incurred for the bridge that has been designated in writing by both Owners as an Operating Expenditure.

Section 7. "Owner(s)" refers to SMRBC and MDOT.

Section 8. "Owners' Expenditures" are expenditures for (1) Capital Improvements, (2) the acquisition of title, with the consent of the Owner that would be required to bear the cost, to any additional real property (3) taxes or assessments levied on the Bridge, including payments to construct, maintain, or operate customs facilities if such costs are assessable against the Bridge, (4) compensating the members of SSMBA for their services, (5) compensating representatives of an Owner for services rendered for the Bridge, (6) compensating an Owner for expenses incurred in fulfillment of an Owner's rights and responsibilities under this Agreement, or (7) expenses arising out of the operation or administration of the Bridge that must be borne in the jurisdiction of one Owner but which may not be borne in the jurisdiction of the other Owner. An Owner may consent to designating items that would otherwise be Operating Expenditures as its Owner's Expenditures. The Owners may consent in a writing to share the cost of specific projects under subsections (1) or (2) of this section.

Section 9. "Owner's Reserve Account" means a financial account created and maintained for each Owner, as provided in Article XI, section 3, to be used solely for Owners' Expenditures as provided in this Agreement. Each Owner may designate how and by whom its Owner's Reserve Account will be invested and managed and may elect to take direct control over the investment of its Owner's Reserve Account consistent with the laws in the country of the Owner.

Section 10. SSMBA is a separate legal entity constituted by the Owners to oversee the operation of the Bridge, providing operational and policy direction to the Bridge Manager, and for implementation by the IBA, as provided in this Agreement. SSMBA is a corporate public body as provided in section 7 of the Urban Cooperation Act of 1967, MCL 124.507, with the powers set forth in this Agreement.

V

SAULT STE MARIE BRIDGE AUTHORITY

Section 1. SSMBA is a board consisting of eight persons, with four representatives of each Owner. SMRBC shall appoint its representatives. MDOT's representatives shall be appointed in accordance with its governing legal requirements. Subject to exercise of the power of removal and replacement under Article V, section 2, the persons serving as members of JIBA on the effective date of this Agreement remain as members of SSMBA, continuing for the terms for which they were last appointed.

Section 2. Owners' representatives shall serve for such periods as may be designated at the time of appointment; they serve at will, subject to removal or replacement at the discretion of the appointing authority.

Section 3. Corresponding powers of appointment shall be exercised by any successor or assignee to whom the power of appointment is transferred under the governing legal requirements for that Owner.

Section 4. The members of SSMBA will serve without compensation from Bridge Revenue but their reasonable expenses will be paid or reimbursed from Bridge Revenue. Such expenditures will be consistent with prevailing standards for governmental officials. Insofar as consistent with the laws and practices of its jurisdiction, an Owner may elect to compensate a member of SSMBA for services, but such compensation must be made from its Owner's Reserve Account or other funds provided by the Owner.

Section 5. SSMBA shall periodically elect a chairperson and a vice-chairperson, one from among the Michigan members and one from among the Canadian members. The offices shall alternate between Michigan and Canadian members. The terms of office shall be provided in the bylaws of SSMBA.

Section 6. SSMBA may annually establish appropriate performance measures for the Bridge Manager to achieve in the ensuing fiscal year and annually evaluate the success of the Bridge Manager in achieving those measures.

VI

INTERNATIONAL BRIDGE ADMINISTRATION

Section 1. Under the provisions of the Urban Cooperation Act of 1967 *supra*, IBA was created in the year 2000 as a separate administrative entity within MDOT with the powers specified in the original agreement. Those powers are, in part, revised by this Agreement.

Section 2. Consistent with Article XII, IBA shall be comprised of employees of MDOT assigned to carry out the responsibilities of IBA as provided in this Agreement and the policies and operational directions of SSMBA.

Section 3. A Bridge Manager who is accountable to SSMBA as described in this Agreement, shall oversee the day-to-day operation and administration of IBA, including supervision of the employees assigned to IBA. The Bridge Manager shall carry out the decisions of SSMBA and consistent with doing so, shall take operation and policy direction from the SSMBA Chair, insofar as the Chair is carrying out the decisions of SSMBA, in performing the responsibilities of the Bridge Manager.

Section 4. In lieu of assigning full time employees to perform particular functions, MDOT may assign employees to perform services for IBA on a part-time or limited term basis, and the cost of doing so represents a proper charge on Bridge Revenue. IBA may request the services of employees or representatives of either Owner, including entities affiliated with an Owner or its government, and the cost of those services represents a proper charge on Bridge Revenue. No such charge against Bridge Revenue shall be made unless both the need for the service and the extent of the service provided is documented. The costs charged shall not exceed the direct costs actually incurred by the Owner or its representative, plus a reasonable amount for overhead, which charge shall be subject to approval by SSMBA.

Section 5. The Bridge Manager shall annually report to SSMBA and the Owners his or her success in achieving the performance measures established by SSMBA for the Bridge Manager to achieve in the preceding fiscal year.

VII POWERS AND DUTIES OF SSMBA

Section 1. SSMBA shall provide the following operational and policy direction to the Bridge Manager in carrying out the responsibilities of the Bridge Manager:

- A. Approval, on behalf of the Owners, of the long-range plans, annual five-year business plan, the annual budgets for the Bridge, or amendments thereto, the scope, structure and content of which are also subject to approval by SSMBA;
- B. Approval of the making of any Operating Expenditure or the incurring of any obligation in respect thereof, to be paid with Bridge Revenue, involving a sum of \$50,000.00 or more in U.S. currency for any transaction, or group of interdependent transactions, except expenditures or obligations that are specifically set forth and approved in a provision of an approved budget and designated as requiring no further approval of SSMBA, or where otherwise necessitated by an emergency to the extent that the expenditure or obligation must be incurred before it is possible to convene a meeting of SSMBA;
- C. Approval of the general directions provided to the engineering consultant for the preparation of the annual report to be filed by the consultant under Article VIII, section 7 of this Agreement - no substantial change shall be made to those approved directions without the approval of SSMBA;

- D. Approval of the annual report to be filed by the engineering consultant under Article VIII, section 7 of this Agreement - SSMBA may exercise its discretion to approve or disapprove elements of the consultant's recommendations;
- E. Approval of the appropriate level of reserves for the operation, maintenance, repair and improvement of the Bridge;
- F. Approval of the periodic adjustment of tolls in U.S. currency, so as to allow for the continued operation, maintenance and repair of the Bridge, including major and structural repairs, and the provision of adequate reserves;
- G. Approval of the amounts of coverage, the risks, the terms and conditions and the deductibles of the property and liability insurance to be obtained by IBA with respect to the Bridge, and the companies to provide such insurance coverage;
- H. Approval of the independent certified accountant designated to perform and provide an audit under Article XIII, section 7 of this Agreement;
- I. Approval of guidelines which IBA shall follow in the investment of Bridge Revenue and reserve funds in the United States and Canada, consistent with prevailing standards for investing public funds, provided that each Owner may designate how its Owner's Reserve Account will be invested, consistent with laws in the country of the Owner governing such investments. Unless both Owners give written consent to follow alternative standards for prudent and conservative investment of Bridge Revenue and reserve funds, investment of Bridge Revenue and reserve funds shall, at a minimum, comply with the guidelines and shall conform to the legal requirements applicable to investments made by the Owners.
- J. Approval of the acquisition of any real property with Bridge Revenue, other than from an Owner's Reserve Account, or the sale, lease, or other disposition, with consent of the Owner in whose name the real property is titled, of any real property of the Bridge;
- K. Establishment of advisory working groups or committees;
- L. Making of any other decision or the taking of any other action as the Owners may both direct, in writing, on matters that materially affect the Bridge;
- M. Adoption of bylaws to govern the procedure of SSMBA;
- N. Approval of rules for the use of the Bridge;
- O. Revision of any of the dollar thresholds set forth in this Agreement for the approval of matters by SSMBA, except where authority to approve a revision is conferred on the Owners;
- P. Directing the Bridge Manager to prepare long-range plans for the Bridge;

Q. Providing any other policy or operational direction as SSMBA may determine is necessary.

Section 2. SSMBA, or designated members of SSMBA, shall participate with MDOT in evaluating the performance of the Bridge Manager. If SSMBA determines that the Bridge Manager is failing to satisfactorily perform his or her assigned duties, and adopts a resolution directing MDOT to do so, MDOT shall replace the Bridge Manager in a timely manner not exceeding 90 days, in accordance with this section. If SSMBA directs MDOT to replace the Bridge Manager, or the position of Bridge Manager otherwise becomes vacant, a four-person panel comprised of one SSMBA member appointed by each Owner and one other representative of each Owner shall by consensus, identify and recommend a replacement for appointment by MDOT in accordance with applicable civil service standards and procedures. Both Owners shall act with due diligence and without undue delay to have a vacancy filled. MDOT may appoint an acting Bridge Manager to serve only until a permanent replacement can be appointed in accordance with this section. SSMBA may review and disapprove the acting Bridge Manager at its next meeting, in which event MDOT shall replace the acting Bridge Manager.

Section 3. A quorum is constituted for meetings of SSMBA, and decisions are to be made, by the participation of a sufficient number of member representatives of each Owner as provided in this section. Unless an Owner gives written direction to the contrary with regard to its representatives to account for vacancies or absences, at least three member representatives of each Owner must participate to constitute a quorum and must vote in the affirmative for a decision to be made by SSMBA. To account for vacancies or absences, an Owner may direct that less than three of its member representatives participate to comprise a quorum and may direct that less than three of its member representatives be required to vote in the affirmative for a decision to be made by SSMBA. The duly authorized and signed written direction of the Owner shall be filed with IBA.

Section 4. SSMBA shall meet at least once in every quarter, in Ontario or in Michigan. The Director of MDOT may designate an Operational Adviser to attend all meetings of SSMBA and participate in the discussions, but not as a member and without voting privileges. SMRBC may designate a non-member Owner's representative to attend all meetings and participate in the discussions of SSMBA, but without voting privileges. Meetings may also be conducted by telephone conference call, video-conferencing or other means which may become available through technological advancement, so long as provision is made for public attendance at one or more of the locations. A representative of IBA shall prepare minutes of the meetings. Copies of the draft and approved minutes shall be distributed to the Owners and members of SSMBA. All meetings of SSMBA shall be open to the public except that a meeting, or portion of a meeting, may be closed to the public if the closure is authorized by the law of the site of the meeting and if the closure would not be contrary to the law applicable to similar meetings of a federal body in Canada or the law of Michigan.

VIII POWERS AND DUTIES OF IBA

Section 1. In addition to the powers and responsibilities specifically set forth in this Agreement, acting under the supervision of the Bridge Manager, IBA shall exercise the powers granted to

MDOT under 1954 PA 99 *supra*, to administer, operate, repair, and improve the Bridge, all of which shall be exercised in accordance with the decisions and direction of SSMBA as provided in this Agreement, and under the supervision of MDOT exercising its authority as employer. Under the laws of the State of Michigan, MDOT is the employer of the employees assigned to IBA and retains the authority to supervise its employees in accordance with the laws of the State of Michigan, specifically including the rules and regulations of the Michigan Department of Civil Service, provided that in doing so, MDOT shall respect the decisions of SSMBA in the exercise of SSMBA's powers as set forth in this Agreement. Unless otherwise compelled by law, no amendment to the powers of IBA under 1954 PA 99, made subsequent to the effective date of this Agreement and that is contrary to the terms of this Agreement, shall be implemented unless first approved by SSMBA.

Section 2. The Bridge Manager shall annually submit budget and business plans to SSMBA for review, revision, and approval, in accordance with Article VII of this Agreement.

Section 3. The Bridge Manager and IBA shall carry out the budget and business plans approved by SSMBA.

Section 4. IBA may lease or acquire property, dispose of property, make purchases, enter into contracts, and make payments in furtherance of its responsibilities under this Agreement. When required under Article VII, IBA shall obtain approval from SSMBA. Purchases shall be made and contracts shall be awarded in the name of IBA. Ownership of real property in Michigan shall be held by MDOT and ownership of real property in Ontario shall be held by SMRBC, for use by IBA. Real property acquired with Bridge Revenue may be sold only with approval of SSMBA and the Owner in whose name the property is titled.

Section 5. IBA shall administer the assets and expend Bridge Revenue on the Canadian side of the Bridge in compliance with the laws of Canada, the Province of Ontario, and this Agreement. IBA shall administer the assets and expend Bridge Revenue on the Michigan side of the Bridge in compliance with the laws of the United States, the State of Michigan, and this Agreement.

Section 6. IBA shall provide for the investment of reserves and surplus funds consistent with the terms of this Agreement and the policies of SSMBA. If an Owner so elects, the Owner may directly invest and administer its Owner's Reserve Account, in lieu of IBA doing so.

Section 7. IBA shall retain an engineering consultant to advise IBA and SSMBA on structural, maintenance and repair needs to preserve and improve the Bridge, after first securing approval of SSMBA, in accordance with Article VII of this Agreement. The consultant shall file an annual report with IBA and SSMBA. Unless otherwise agreed by SSMBA under Article VII, section 1.C, IBA shall maintain and repair the Bridge in accordance with the recommendations of the consultant.

Section 8. IBA shall enter into contracts in Michigan and Ontario, in its own name, in furtherance of this Agreement, after first securing the approval of SSMBA to the extent required by this Agreement.

Section 9. Competitive bidding/selection procedures are to be used for purchasing and contracting, except (a) as otherwise necessary in emergencies, and (b) as permitted by SSMBA in furtherance of the public interest.

Section 10. IBA shall maintain reserves, or functionally equivalent arrangements (a) for future maintenance, repair, or improvement needs of the Bridge, and (b) for the fulfillment of any liabilities or obligations arising out of the performance of this Agreement that will remain after the expiration or termination of this Agreement.

Section 11. IBA has the power to sue and be sued.

Section 12. In the event that SSMBA is unable to reach agreement on a matter involving the continued administration and operation of the Bridge, the Bridge Manager and IBA staff shall continue the day-to-day administration and operation of the Bridge insofar as necessary to continue service and preserve the integrity of the Bridge, within the operational and performance guidelines adopted by SSMBA, until agreement is reached by SSMBA or this Agreement is terminated or expires.

IX TRANSITION

Section 1. All real and personal property and any other assets that were conveyed to MDOT or SMRBC upon the retirement of the bonds and dissolution of the predecessor International Bridge Authority, shall be used and managed by IBA in furtherance of its responsibilities under this Agreement.

Section 2. All valid and enforceable contracts and obligations of the predecessor International Bridge Authority have been, or shall be, assumed by IBA.

Section 3. The personnel of IBA shall remain employees of MDOT, assigned to IBA, subject to MDOT's management discretion over its employees, as provided in this Agreement.

X TOLLS

Section 1. The level of tolls charged for crossing the Bridge, in United States currency, will be periodically adjusted as approved by SSMBA. Tolls will be set at a level sufficient to meet all projected Operating Expenditures and Owner's Expenditures, including such reserves as may be necessary or appropriate for those purposes, unless both Owners consent to tolls being set at a lower level. The tolls will be separately established in the currency of Canada so as to achieve equivalency with United States currency under prevailing official currency exchange rates. IBA shall make periodic adjustments to account for changes in the exchange rates, as provided in section 3 of this Article. Optional one-time charges for cards or devices purchased by users to expedite their passage through the toll collection facilities, or improve the efficiency of toll payment, are not themselves tolls.

Section 2. Public hearings shall be held before any toll is increased in United States currency. No less than three public hearings shall be held before the effective date of the change. Two of the hearings shall be held within five miles of the Bridge, one in Michigan and one in Ontario. One hearing shall be held in Lansing. This requirement does not apply to adjustments made to reach or maintain currency equivalence. If a toll increase is to be phased in over multiple years, the notices of public hearings shall include both the total amount of the increase and the shortest schedule within which each step of the increase may be implemented. If justified by revenue and expenses, the implementation schedule may later be lengthened by SSMBA without additional public hearings, but it may not be shortened without additional public hearings.

Section 3. Effective on April 1 and October 1 of each year IBA shall adjust the level of the tolls in Canadian currency to achieve equivalence with currency of the United States as provided in this section. The adjustment will be based on the average daily official exchange rate for the six-month period preceding March 1 or September 1, respectively. Adjustments shall be made if the toll rate inequality between that average daily exchange rate, and the exchange rate then in effect, is equal to at least five cents for regular-fare passenger vehicles, in the currency of either Canada or the United States. The adjustment shall be made to the nearest nickel, rounded as may be necessary for administrative efficiency.

XI

DEDICATION AND DIVISION OF REVENUE

Section 1. All Bridge Revenue shall be dedicated to, and used exclusively for, the cost of operating, repairing, improving and administering the Bridge, and for such reserves as are allowed under this Agreement.

Section 2. The costs incurred by IBA in carrying out its responsibilities under this Agreement shall be paid from Bridge Revenue as provided in this Agreement. Except as otherwise set forth in this Agreement, the Bridge is to be financially self-supporting.

Section 3. At the end of each fiscal year for the Bridge and six months thereafter, beginning with the end of the first fiscal year after the effective date of this Agreement, a semi-annual distribution of one-half of all revenue not spent, set aside, or encumbered for the making of Operating Expenditures, shall be divided equally between the Owners and deposited by IBA in the Owners' respective Owner's Reserve Accounts. The distributions shall be made not later than sixty days after each semi-annual distribution date. If both Owners so direct in writing, the first distribution shall be made sooner or later than that schedule to accommodate the making of Owner's Expenditures or the need to prudently liquidate investments needed for the distribution. IBA may make expenditures from an Owner's Reserve Account only with the prior written consent of the Owner. Funds in the Owner's Reserve Accounts shall be used solely for Owners' Expenditures and may be administered by either IBA or directly by the Owner at the Owner's discretion. An Owner may allow use of a portion of its Owner's Reserve Account for any other bridge purpose and may condition such allowance on the future replenishment of the funds by IBA, other Owner or other source. An Owner may defer or waive a semi-annual distribution, in whole or in part, to facilitate the proper maintenance and improvement of the bridge.

Section 4. Owners' Expenditures are the financial obligation solely of the Owner in whose country or jurisdiction the need for the expenditure arises and in which the work is to be performed, to be paid from the Owner's Reserve Account or such other funds as the Owner may obtain for that purpose. Each Owner shall provide such funds as may be needed for Owners' Expenditures or Operating Expenditures, to ensure the continued and unimpaired operation of the Bridge insofar as permitted by law.

Section 5. Subject to disapproval by SSMBA, IBA may accept gifts and grants from any source.

Section 6. If compelled by law, Bridge Revenue in an Owner's Reserve Account may be expended to pay taxes and assessments levied on the Bridge as provided in Article XIII, section 8. The other Owner may make a corresponding expenditure, or matching expenditure for Bridge purposes, within its jurisdiction, from its Owner's Reserve Account subject to applicable law.

XII EQUAL EMPLOYMENT AND CONTRACTING

Section 1. Approximately one-half of the employees of IBA will be residents of Canada and one-half will be residents of the United States.

Section 2. Canadian and American candidates will be given an equal opportunity to compete for Bridge management and operating positions whenever a vacancy occurs. An MDOT employee may be appointed to serve on an interim basis until a vacancy can be filled.

Section 3. Insofar as practical, and consistent with the goal of obtaining the best quality materials, services and performance at the most favorable price, contracting opportunities will be provided so as to avoid an imbalance in the award of contracts to contractors on the Michigan side or the Ontario side of the Bridge.

XIII GENERAL PROVISIONS

Liabilities

Section 1. The Bridge is to be operated on a not-for-profit basis and the activities of IBA under this Agreement constitute governmental functions.

Section 2. In accordance with section 5(o) of the Urban Cooperation Act of 1967, MCL 124.505, liabilities arising from the administration, operation, repair, or improvement of the Bridge shall be satisfied solely from Bridge Revenue, except as otherwise provided in this Agreement.

Section 3. Except as otherwise provided in this section, any claim arising from the administration, operation, repair, or improvement of the Bridge shall be made against IBA in the Michigan Court of Claims, or other Michigan court having jurisdiction over the claim, and not

against the Owners or SSMBA. A claim arising out of SMRBC making an Owner's Expenditure shall be filed against SMRBC in a Canadian court having jurisdiction against SMRBC. A claim arising out of MDOT making an Owner's Expenditure shall be filed against MDOT in the Michigan Court of Claims, or other Michigan court having jurisdiction over the claim. If IBA is the contracting party for such an SMRBC or MDOT Owner's Expenditure, a claim based on that contract shall be filed against IBA in the Michigan Court of Claims and the costs shall be borne as provided in section 4 of this Article.

Section 4. If a claim is filed against IBA, an Owner or SSMBA, or an agent or employee thereof, which arises out of the administration, operation, repair, or improvement of the Bridge, the reasonable cost of defending IBA, Owner or SSMBA, or an agent or employee thereof, and any settlement or final judgment shall be paid from the following sources in the following order of priority: (a) from insurance insofar as insurance protection is available, (b) from Bridge Revenue insofar as insurance protection is not available, and (c) from payments to be made by the Owners on an equal, or 50/50 basis, insofar as neither insurance protection nor Bridge Revenue is available, to the extent permitted by law. If the Owners are required to make a payment under this section 4, they shall be reimbursed from future Bridge Revenue. Nothing in this provision shall require the payment of any sum from Bridge Revenue, or from payments by the Owners, for a defense, judgment or settlement attributable to a claim against an agent or employee, that is not otherwise payable by an Owner, except to the extent provided for under the terms of his or her employment or provided for by law. For purposes of this section 4, the word "agent" refers to an employee of SMRBC, or the State of Michigan, whose activities on which the claim is based were in the performance of services for the Bridge, and does not refer to an independent contractor. To the extent that a claim is attributable to the making of an Owner's Expenditure, the cost of defending the claim and paying any settlement, judgment or related expense, shall be borne by the Owner to which the Owner's Expenditure is attributable, to the extent that those costs are not covered by insurance, and may be paid from the Owner's Reserve Account.

Insurance

Section 5. Insurance to protect against damage to the Bridge structures and assets shall be maintained by IBA as approved by SSMBA under Article VII, section 1. G and this section 5. The cost of such insurance shall be treated as an operating expense. Subject to direction by SSMBA as provided in Article VII, section 1. G and this section 5, IBA shall also purchase and maintain workers' compensation insurance and shall purchase and maintain such other insurance as may be necessary for the benefit of itself, the Owners and SSMBA, and their agents and employees to protect against claims or liabilities arising out of the performance of this Agreement. IBA, SSMBA, SMRBC, MDOT and their successors, agents and employees shall be named as insured parties in those insurance policies to protect against claims or liabilities arising out of the performance of this Agreement, to the extent that such insurance is reasonably available. The purchase of insurance must be approved by SSMBA which reserves the right to specify the coverage, risks, terms and conditions, deductibles, or companies. Upon being directed by SSMBA, IBA shall promptly purchase such insurance policies. Subject to the requirements of this section 5, if it would result in a savings of Bridge Revenue, IBA may enter into cooperative or combined insurance arrangements with other Michigan or Canadian toll bridges or facilities, or use other advantageous insurance opportunities, with the approval of SSMBA. For purposes of this section 5, the word "agent" refers to an employee of SMRBC, or

the State of Michigan, whose activities on which the claim is based were in the performance of services for the Bridge, and does not refer to an independent contractor. The Owners may agree in a writing filed with IBA to increase, decrease, or waive the insurance requirements of this Agreement, insofar as permitted by governing law. Each Owner retains the right to separately place and maintain insurance related to their respective Bridge facilities, as an Owner's Expenditure.

Records and Audits

Section 6. The official records of SSMBA and the books and records of IBA shall be maintained at the offices of IBA and made available to the public to the extent and in the manner provided by Michigan law for the records of state agencies. In addition, a duly authorized representative of an Owner has the right to access and make copies of official IBA and SSMBA records and to obtain information from IBA and SSMBA, to the extent necessary to ascertain compliance with this Agreement.

Section 7. Financial statements and accounts for Bridge Revenue, assets, liabilities, and expenditures shall be established and maintained separate and distinct from other MDOT statements and accounts. IBA shall maintain financial and other appropriate records of all of its activities in accordance with generally accepted accounting principles. IBA shall maintain sufficient original and detailed records to enable SSMBA, an Owner, or an independent certified accountant to verify the receipt and disposition of all Bridge Revenue. If directed by SSMBA, IBA shall maintain additional records of its activities, as SSMBA may determine are necessary to fully and accurately document and verify the receipt of all Bridge Revenue, and the expenditure, investment or other disposition of all Bridge Revenue. Annually, an audit of all investments and of the financial statements and accounts of IBA shall be performed by an independent certified accountant, approved by SSMBA and submitted to IBA and SSMBA.

Taxes and Assessments

Section 8. Taxes or assessments levied on the Bridge shall be paid by the Owner that is in the same country as the entity that levied the tax or assessment, and payment must be made from that Owner's Reserve Account or other funds available to the Owner, and not otherwise from Bridge Revenue. IBA or an Owner, as appropriate, may in good faith contest the propriety or amount of any tax, levy, or assessment on the Bridge. If such taxes or assessments are paid from Bridge Revenue that has been transferred to an Owner's Reserve Account, directly by one Owner to or for a governmental entity, an equal sum may be paid by the other Owner, from its Owner's Reserve Account, to or for a governmental entity within its jurisdiction, or for other Bridge purposes within its jurisdiction.

Successors and Assigns

Section 9. Because the Owners are creations under Canadian or Michigan law, a successor or assignee for either Owner may be designated under amendment or exercise of those laws. This Agreement shall be binding on the Owners or their successors or assignees.

Termination

Section 10. Either Owner may terminate this Agreement by giving written notice to the other Owner at least 1 year before the effective date of the termination. A notice of termination may be withdrawn with the consent of both Owners. The Owners may also agree to extend the one year period to allow additional time for negotiations or to effectuate an efficient transition.

Term

Section 11. Subject to exercise of the power of termination, this Agreement shall remain in effect until September 30, 2017, and is automatically renewed for successive ten-year periods thereafter unless, one year prior to the renewal date, an Owner gives written notice to the other Owner that it elects not to renew the Agreement.

Notice

Section 12. A written notice under Article XIII, sections 10 and 11, is effective on the latter of the date that it is delivered to the principal office of IBA, and to the principal office of the other Owner. In lieu of personal delivery to an Owner, such a written notice may be sent by certified or registered mail, return receipt requested, postage prepaid, to the principal office of the other Owner, in which case the notice will be deemed to have been delivered to that Owner three business days after the notice was mailed. The mail delivery systems of both the United States and Canada must be in normal operation on a given day for that day to be considered a business day.

Owner's Consent or Agreement

Section 13. The consent or agreement of an Owner, as permitted by this Agreement, may be effected by filing with the principal office of IBA a writing signed by a duly authorized representative of the Owner expressing that consent or agreement. A copy of that consent or agreement shall also be mailed to the principal office of the other Owner.

Distribution of Assets upon Expiration or Termination

Section 14. When this Agreement is allowed to expire, or if this Agreement is terminated, that portion of the land and bridge structure in Michigan shall be the property and subject to the management and control of MDOT and that portion of the land and bridge structure in Ontario shall be the property and subject to the management and control of SMRBC and are not subject to the remainder of this section.

The first priority for use of the remaining properties and funds, including the Owner's Reserve Accounts, will be to provide any needed funding for the reserve account required by Article VIII, section 10(b) of this Agreement to ensure the fulfillment of obligations to current or former personnel and meet any other liabilities or obligations of MDOT or IBA as a result of having managed and administered the Bridge. The intent of that requirement is to ensure that MDOT is not required to bear more than its 50% share of liabilities incurred, but not yet paid or fully funded, during the period that the Bridge was maintained by the International Bridge Authority or IBA up to the date of the expiration or termination of this Agreement. An equal sum shall be

drawn from each Owner's Reserve Account, if those funds are needed to fund the reserve account required by Article VIII, section 10(b) of this Agreement.

After provision is made for the payment of liabilities, the Owners shall equally divide the buildings, equipment, other personal property acquired with Bridge Revenue, or their values, and remaining funds, except that the remainder of the Owner's Reserve Accounts shall not be divided equally, but shall be the property of the respective Owners.

For purposes of achieving an equal distribution of assets and liabilities, buildings, equipment and other personal property will be valued at 50% of the total of their fair market value and book value, and that value, after providing for liabilities, shall be equally divided between the Owners. Each Owner is entitled to receive the actual equipment and other personal property constituting 50% of that overall value, insofar as feasible. The intent of this section is to ensure that, setting aside the land, bridge structure itself, and the remainder of an Owner's Reserve Account, the remaining value of the property be divided equally between the Owners as provided in this section.

Insofar as possible, computer software acquired with Bridge Revenue will be made available for use by both Owners. The Owners shall cooperate with the intent of maximizing each Owner's efficient and cost-effective ability to thereafter maintain and operate the portion of the Bridge within that Owner's jurisdiction.

Arbitration

Section 15. Promptly after notice is given under section 10 or 11 of this Article that this Agreement will be terminated or not renewed, the Owners shall undertake good faith negotiations to agree upon the distribution of assets as provided in section 14 of this Article. If agreement is not reached within three months after the notice is given, either Owner may notify the other that it is initiating binding arbitration. Each Owner may then appoint one arbitrator and those two arbitrators shall appoint a neutral third arbitrator, the three of whom shall comprise the Arbitration Panel. If an Owner fails to appoint an arbitrator within forty-five days after being given notice of the appointment by the initiating Owner of an arbitrator, the initiating Owner may appoint a second arbitrator, the two of whom shall appoint a third neutral arbitrator and they shall comprise the Arbitration Panel.

The Arbitration Panel shall meet at such times and places, and may require the submission by the IBA or the Owners of appraisals and other information, as it may determine necessary. Once arbitration proceedings are initiated, the Owners should continue to negotiate in an effort to agree upon all or part of the disputed issues concerning distribution of the property. The Arbitration Panel shall proceed with dispatch to render an informed and fair determination of any remaining disputed issues on the distribution of property, as provided in section 14 of this Article, so that the decision may be implemented by the effective date of the termination or expiration of this Agreement. The Panel shall determine its rules of procedure so as to provide a fair and expedient presentation of any evidence and/or argument needed to resolve disputed issues. Decisions shall be made by the affirmative vote of at least two members of the panel.

Unless both Owners consent, the Arbitration Panel has no jurisdiction to decide any issue other than the value and distribution of the property, as provided in section 14 of this Article. The

decision of the Arbitration Panel is final and binding on both Owners; the Owners expressly waive any right to resort to the courts, except as may be necessary to enforce the decision of the Arbitration Panel. The Arbitrators shall receive compensation for their services in accordance with customary and prevailing rates, along with their reasonable and necessary expenses. The Owners shall share the costs of the Arbitration Panel equally, which costs may be paid from funds available to the IBA, or directly by the Owners.

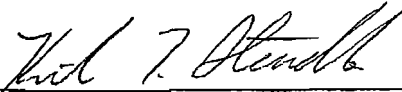
Third Party Beneficiaries

Section 16. This Agreement is not intended to create any rights in any persons other than the parties to this Agreement and their successors and assignees.

Effective Date

Section 17. This Agreement shall not go into effect until this Agreement is approved by the Governor of the State of Michigan, the United States Secretary of State, an Order in Council approving this Agreement is executed by the Governor in Council in Canada, as provided in Article III, Section 1 of this Agreement, and SMRBC is established as a Subsidiary Crown Corporation of FBCL. Subject to fulfillment of those conditions, this Agreement is effective April 1, 2007 or on such later date as the last of the required conditions is fulfilled.

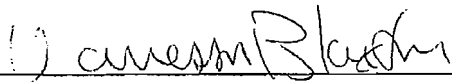
By:



Kirk T. Stuedle
Director
Michigan Department of Transportation

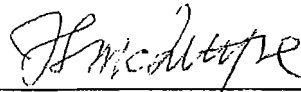
Dated: APRIL 11, 2007

Witness:



Vanessa Blaxton

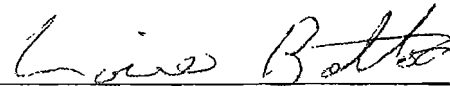
By:



James L. McIntyre
President
St. Mary's River Bridge Company

Dated: April 4, 2007

Witness:



Lorie Bottas