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MONTREAL PIPE LINE LIMITED AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011, December 31 2010, and January 1, 2010,
Years Ended December 31, 2011 and 2010

With Independent Auditors' Report

MONTREAL PIPE LINE LIMITED AND SUBSIDIARY
(Incorporated under the Canada Business Corporations Act)

As of December 31, 2011, December 31, 2010 and January 1, 2010,
Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Montreal Pipe Line Limited

We have audited the accompanying consolidated financial statements of Montreal Pipe Line Limited and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of income and change in retained earnings and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Montreal Pipe Line Limited and Subsidiary as of December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated results of their operations and their cash flows for the years ended December 31, 2011 and 2010, in accordance with Canadian accounting standards for private enterprises.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 21, 2012

MONTREAL PIPE LINE LIMITED AND SUBSIDIARY
(Incorporated under the Canada Business Corporations Act)

Consolidated Balance Sheets

December 31, 2011, December 31, 2010 and January 1, 2010

ASSETS
(Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Current assets			
Cash and cash equivalents	**$ 3,512,885**	$ 5,350,728	$ 1,157,336
Accounts receivable			
Trade	**-**	-	1,105,699
Affiliated companies	**4,725,470**	1,716,699	2,582,779
Others	**707,286**	468,954	350,414
Income and other taxes receivable, net (Note 6)	**1,373,185**	1,649,776	1,308,398
Materials and supplies	**1,727,872**	1,794,310	1,810,317
Prepaid expenses and other current assets	**1,088,070**	1,110,736	1,178,324
Total current assets	**13,134,768**	12,091,203	9,493,267
Property, plant and equipment, net (Note 5)	**94,712,907**	98,518,606	101,446,959
Total assets	**$ 107,847,675**	$110,609,809	$110,940,226

Approved by the Board of Directors

Craig Stewart _______________ Director

_______________ Director

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY
(Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Current liabilities			
Accounts payable and accrued expenses	**$ 3,403,717**	$ 2,702,330	$ 2,476,832
Pension, postretirement and other benefit obligations, net - current (Notes 9 and 10)	**1,369,456**	1,423,543	1,546,380
Deferred income taxes - current (Note 6)	**97,380**	81,445	72,740
Deferred foreign withholding taxes (Note 4)	**361,728**	258,674	406,086
Credit facility (Note 7)	**17,520,000**	30,000,000	33,000,000
Total current liabilities	**22,752,281**	34,465,992	37,502,038
Credit facility (Note 7)	**13,621,698**	21,334,170	23,594,950
Pension, postretirement and other benefit obligations, net - noncurrent (Notes 9 and 10)	**4,484,536**	5,356,823	6,147,265
Deferred income taxes - noncurrent (Note 6)	**15,680,422**	14,246,326	12,924,946
Total liabilities	**56,538,937**	75,403,311	80,169,199
Commitments and contingencies (Notes 1, 3, 8 and 12)			
Stockholders' equity			
Common stock, no par value, authorized 50,000 shares; issued and outstanding 32,206 shares	**3,220,600**	3,220,600	3,220,600
Contributed surplus	**3,700,555**	3,700,555	3,700,555
Retained earnings	**44,387,583**	28,285,343	23,849,872
Total stockholders' equity	**51,308,738**	35,206,498	30,771,027
Total liabilities and stockholders' equity	**$ 107,847,675**	$110,609,809	$110,940,226

MONTREAL PIPE LINE LIMITED AND SUBSIDIARY
(Incorporated under the Canada Business Corporations Act)

Consolidated Statements of Income and Change in Retained Earnings

Years Ended December 31, 2011 and 2010
(Canadian dollars)

	2011	2010
Oil pipeline operating revenue		
Affiliates	**$ 71,374,040**	$ 77,054,765
Nonaffiliates	**81,157**	249,137
Total revenue	**71,455,197**	77,303,902
Oil pipeline operating expenses		
Maintenance	**7,611,543**	7,103,624
Operations	**3,996,213**	4,177,353
Electric power	**5,755,503**	9,731,097
Environmental expense	**1,836,089**	1,877,347
General and administrative	**7,169,439**	8,589,490
Depreciation and amortization, net	**4,370,898**	5,059,027
Taxes other than income taxes	**5,644,058**	6,993,748
Total oil pipeline operating expenses	**36,383,743**	43,531,686
Oil pipeline operating income	**35,071,454**	33,772,216
Other income (expense)		
Interest income	**41,226**	17,895
Interest expense	**(1,227,710)**	(1,392,710)
Foreign currency translation (loss) gain	**(685,149)**	1,734,731
Other expense	**(38,133)**	(35,932)
Other (expense) income, net	**(1,909,766)**	323,984
Income before income and withholding taxes	**33,161,688**	34,096,200
Provision for income taxes (Note 6)	**(13,311,417)**	(13,263,650)
Withholding tax on foreign subsidiary's net income (Note 4)	**(717,913)**	(563,157)
Net income	**19,132,358**	20,269,393
Retained earnings, beginning of year	**28,285,343**	23,849,872
Cash dividends declared	**(3,030,118)**	(15,833,922)
Retained earnings, end of year	**$ 44,387,583**	$ 28,285,343
Net income per share	**$ 594.06**	$ 629.37

The accompanying notes are an integral part of these consolidated financial statements.

MONTREAL PIPE LINE LIMITED AND SUBSIDIARY
(Incorporated under the Canada Business Corporations Act)

Consolidated Statements of Cash Flows

Years Ended December 31, 2011 and 2010
(Canadian dollars)

	2011	2010
Cash flows from operating activities		
Net income	**$ 19,132,358**	$ 20,269,393
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**4,370,898**	5,059,027
Deferred income taxes	**1,450,031**	1,330,085
Foreign currency translation loss (gain)	**685,149**	(1,734,731)
Pension, postretirement and other benefits	**(926,374)**	(913,279)
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	**(3,247,103)**	1,853,239
Decrease (increase) in income and other taxes receivable, net	**276,591**	(341,378)
Decrease in materials and supplies	**66,438**	16,007
Decrease in prepaid expenses and other current assets	**22,666**	67,588
Increase in accounts payable and accrued expenses	**484,123**	635,035
Increase (decrease) in foreign withholding taxes	**103,054**	(147,412)
Effect of foreign exchange rate change on cash	**(430,831)**	484,550
Net cash provided by operating activities	**21,987,000**	26,578,124
Cash flows from investing activities		
Purchases of property, plant and equipment	**(346,535)**	(2,520,910)
Net cash used by investing activities	**(346,535)**	(2,520,910)
Cash flows from financing activities		
Dividends paid	**(3,030,118)**	(15,833,922)
Net repayments under credit facilities	**(20,448,190)**	(4,029,900)
Net cash used by financing activities	**(23,478,308)**	(19,863,822)
Net (decrease) increase in cash and cash equivalents	**(1,837,843)**	4,193,392
Cash and cash equivalents, beginning of year	**5,350,728**	1,157,336
Cash and cash equivalents, end of year	**$ 3,512,885**	$ 5,350,728

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Description of Business

Montreal Pipe Line Limited (the "Company") and its wholly-owned foreign subsidiary, Portland Pipe Line Corporation (the "Subsidiary"), function as common carriers of crude oil which is unloaded at a pier maintained in South Portland, Maine. The oil is transported via pipeline to an oil refinery in Montreal, Canada, as well as to break-out tankage for eventual injection into a connecting carrier delivering oil to Southern Ontario. The pipeline system traverses the states of Maine, New Hampshire and Vermont, and enters Canada at a point near Highwater, Quebec. The portion of the pipeline operations in the United States belongs to Portland Pipe Line Corporation, while all of the Canadian operations are part of Montreal Pipe Line Limited.

Rate Regulation

The Company and the Subsidiary's rate structure is regulated by the Canadian National Energy Board ("NEB") and the U.S. Federal Energy Regulatory Commission ("FERC"), respectively, whereby disputes regarding pipeline tolls are handled on a complaint basis. Depreciation and amortization rates for the Subsidiary, which are approved by the FERC, are calculated using economic and service life studies.

The NEB has requested that all pipeline companies provide an estimate of future abandonment costs for their pipelines and facilities in 2011, provide a proposal for the collection of these funds in 2012 and provide a proposed process and mechanism to set aside abandonment funds in 2013. It is proposed that pipeline companies will be collecting these abandonment funds through tolling over a 40-year period beginning in 2014. The purpose of these requirements is to ensure that all pipeline companies are ultimately responsible for the full costs of abandoning their pipelines. Management estimates abandonment costs, based on the NEB model, are approximately $20,000,000 in current dollars, which would result in an annual funding charge of approximately $715,000 per year. Management is in the process of evaluating their proposal for the collection of these funds and the process and mechanism to set aside abandonment funds. Accordingly, management has not yet determined the ultimate impact this regulation will have on the Company's future consolidated financial position and future results of operations.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and Subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

(Canadian dollars)

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from those estimates.

Foreign Currency Translation

The financial statements of the Subsidiary are translated using the temporal method. Monetary items are translated at current exchange rates and nonmonetary items are translated at historical exchange rates. Revenues and expenses are translated at average rates prevailing during the year, except for depreciation and amortization which is being translated at historical exchange rates.

The accumulated translation gain, net of income taxes, at December 31, 2011, December 31, 2010 and January 1, 2010 was approximately $8,116,000, $8,609,000 and $7,313,000, respectively.

Cash and Cash Equivalents

All highly liquid investments purchased with a remaining maturity of three months or less are considered to be cash equivalents. The Company and Subsidiary invest their cash in deposit accounts and money market funds with major banks. Cash held in bank deposit accounts may, at times, exceed federally insured limits. The Company and Subsidiary have not experienced any losses in such bank accounts. The Company and Subsidiary believe they are not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. At December 31, 2011, December 31, 2010 and January 1, 2010, receivables from companies in the Canadian oil industry were approximately $4,725,000, $1,717,000 and $3,688,000, respectively. Management does not anticipate nonperformance by the counterparties and believes all accounts receivable are collectible. Accordingly, an allowance for doubtful accounts has not been established.

Financial Instruments

The Company and Subsidiary initially measure its financial assets and liabilities at fair value. All subsequent measurements of their financial assets and liabilities are at amortized cost, except for pension assets which are measured at fair value.

(Canadian dollars)

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, and income and other taxes receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued expenses and credit facilities.

The Company and Subsidiary's financial assets measured at fair value include pension assets, which represents investments held in pooled separate accounts and a common/collective trust of major financial institutions. The fair value of pension assets is determined using quoted prices in active markets (see Note 9).

Financial instruments are exposed to various risks such as interest rate, credit, currency and other market risk. Due to the level of risk associated with certain financial instruments, it is at least reasonably possible that changes in the fair values of certain financial instruments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the consolidated statements of income and change in retained earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the consolidated statements of income and change in retained earnings .

Materials and Supplies

Materials and supplies are stated at the lower of cost or market, with cost being determined on the average cost basis.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Additions and renewals are recorded in the property accounts. Expenditures for repairs and maintenance are expensed as incurred. For financial statement purposes, depreciation and amortization of property in use and idled property removed from service for an extended period of time but still subject to continued deterioration is computed on a straight-line basis using group depreciation and amortization rates. Idled property removed from service for an extended period of time and not subject to continued deterioration is no longer depreciated but reviewed periodically for impairment. Normal retirements of property are removed from the property accounts at original cost and such amounts, less proceeds, are charged to accumulated depreciation and amortization; abnormal retirements are reflected in the statement of income and change in retained earnings.

The Company and Subsidiary review the carrying value of long-lived assets for impairment when events and circumstances warrant such a review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value less cost to dispose for assets to be sold or abandoned. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved.

The Company and Subsidiary recognize the fair value of a liability for obligations associated with the retirement of tangible long-lived assets and related asset retirement costs in the period in which it is incurred and capitalize this amount as part of the carrying amount of the long-lived asset. Management believes there may be legal obligations as a result of laws, statutes or contracts that the Company and Subsidiary would be required to settle in the event the pipeline assets were retired. Asset retirement obligations are not recorded because any potential obligation resulting from the retirement of the pipeline assets cannot be measured, since it would not be possible to estimate a settlement date. The Company and Subsidiary will record future legal obligations in the period in which they occur and when a reasonable estimate of fair value can be made.

Income Taxes

The Company and Subsidiary use the future income taxes method for accounting for income taxes. Under the future income taxes method, future income taxes are recognized for the future income tax consequences attributable to differences between the consolidated financial statement carrying values and their respective income tax bases (temporary differences). Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Revenue Recognition and Concentrations

Revenue is recognized when there is persuasive evidence that an agreement exists, services have been rendered, the price is fixed or determinable, and collection is reasonably assured.

Substantially all 2011 revenues and approximately 75% of 2010 revenues were derived from two affiliated companies, who are stockholders of the Company (see Note 3).

Restructuring Costs

Restructuring costs are recognized when the expense is incurred or the services received are rendered.

Dividends and Earnings Per Share

During 2011, the Company declared dividends of $37 per share and $57 U.S. Dollars per share on 32,206 outstanding shares which represented qualifying stockholders on record. During 2010, the Company declared dividends of $106 per share and $378 U.S. Dollars per share on 32,206 outstanding shares which represented qualifying stockholders on record. The calculation of earnings per share is based on the number of shares of capital stock outstanding during each period.

Cash Flow Information

Interest paid was approximately $1,228,000 and $1,396,000 for the years ended December 31, 2011 and 2010, respectively.

Income taxes paid, net of refunds, were approximately $11,613,000 and $11,645,000 for the years ended December 31, 2011 and 2010, respectively.

In 2011 and 2010, noncash financing/investing activities include approximately $258,000 and $41,000, respectively, of accounts payable related to purchases of property, plant and equipment.

Pension and Postretirement Plans

The Company and Subsidiary accounts for their pension and postretirement plans using the deferral and amortization approach. Under the deferral and amortization approach, the Company and Subsidiary determine the present value of benefits attributed to employee service rendered at the measurement date, which represents the projected benefit obligation for their pension plans and the accumulated postretirement benefit obligation for their postretirement plans. However, the Company and Subsidiary recognize in the consolidated balance sheet an accrued benefit obligation representing the sum of the current and prior year's benefit costs less the accumulated cash contributions to the plans. Accordingly, prior service costs are deferred and amortized over future periods. Also, actuarial gains and losses may also be deferred and amortized over future periods.

2. Impact of the Change in the Basis of Accounting

Private enterprises, as defined, who prepare financial statements in accordance with Canadian generally accepted accounting principles are generally required to adopt either ASPE or International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011. The Company has elected to adopt ASPE.

The consolidated financial statements for the year ended December 31, 2011 were prepared in accordance with ASPE and the provisions set out in the Canadian Institute of Chartered Accountants Handbook Part II Section 1550, *First Time Adoption*, for the initial adoption of this basis of accounting. The impact of adopting these standards was accounted for in retained earnings at the date of transition, i.e. January 1, 2010 (beginning of the first fiscal year period for comparison). The Company and Subsidiary have elected to use the Fresh Start approach exemption for measuring their pension and postretirement obligations at the date of transition. Accordingly, all unrecognized prior service costs, actuarial gains and loss and transition obligations were recognized in beginning retained earnings at January 1, 2010.

(Canadian dollars)

The impact of the change in the basis of accounting on the January 1, 2010 consolidated balance sheet is as follows:

	Notes	As Previously Reported	Effect of Initial Adoption of ASPE	As Reported Under ASPE
ASSETS				
Current assets				
Cash and cash equivalents		$ 1,157,336	$ -	$ 1,157,336
Accounts receivable				
Trade		1,105,699	-	1,105,699
Affiliated companies		2,582,779	-	2,582,779
Others		350,414	-	350,414
Income and other taxes receivable, net		1,308,398	-	1,308,398
Materials and supplies		1,810,317	-	1,810,317
Prepaid expenses and other current assets		1,178,324	-	1,178,324
Total current assets		9,493,267	-	9,493,267
Property, plant and equipment, net		101,446,959	-	101,446,959
Total assets		$ 110,940,226	$ -	$ 110,940,226
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses		$ 2,476,832	$ -	$ 2,476,832
Pension, postretirement and other benefit obligations, net - current	A.	1,426,250	120,130	1,546,380
Deferred income taxes - current		72,740	-	72,740
Deferred foreign withholding taxes		406,086	-	406,086
Credit facility		33,000,000	-	33,000,000
Total current liabilities		37,381,908	120,130	37,502,038
Credit facility		23,594,950	-	23,594,950
Pension, postretirement and other benefit *obligations, net - noncurrent*	A.	-	6,147,265	6,147,265
Deferred income taxes - noncurrent	A.	15,338,383	(2,413,437)	12,924,946
Total liabilities		76,315,241	3,853,958	80,169,199
STOCKHOLDERS' EQUITY				
Common stock		3,220,600	-	3,220,600
Contributed surplus		3,700,555	-	3,700,555
Retained earnings	B.	27,703,830	(3,853,958)	23,849,872
Total stockholders' equity		34,624,985	(3,853,958)	30,771,027
Total liabilities and stockholders' equity		$ 110,940,226	$ -	$ 110,940,226

(Canadian dollars)

The impact of the change in the basis of accounting on the consolidated statement of income and change in retained earnings for the year ended December 31, 2010 is as follows:

	Notes	As Previously Reported	Effect of Initial Adoption of ASPE	As Reported Under ASPE
Oil pipeline operating revenue				
Affiliates		$ 77,054,765	$ -	$ 77,054,765
Nonaffiliates		249,137	-	249,137
Total revenue		77,303,902	-	77,303,902
Oil pipeline operating expenses				
Maintenance		7,103,624	-	7,103,624
Operations		4,177,353	-	4,177,353
Electric power		9,731,097	-	9,731,097
Environmental expense		1,877,347	-	1,877,347
General and administrative	C.	9,057,922	(468,432)	8,589,490
Depreciation and amortization, net		5,059,027	-	5,059,027
Taxes other than income taxes		6,993,748	-	6,993,748
Total oil pipeline operating expenses		44,000,118	(468,432)	43,531,686
Oil pipeline operating income		33,303,784	468,432	33,772,216
Other income (expense)				
Interest income		17,895	-	17,895
Interest expense		(1,392,710)	-	(1,392,710)
Foreign currency translation gain	C.	1,467,126	267,605	1,734,731
Other expense		(35,932)	-	(35,932)
Other income, net		56,379	267,605	323,984
Income before income and withholding taxes		33,360,163	736,037	34,096,200
Provision for income taxes	C.	(12,937,612)	(326,038)	(13,263,650)
Withholding tax on foreign subsidiary's net income		(563,157)	-	(563,157)
Net income		19,859,394	409,999	20,269,393
Retained earnings, beginning of year	B.	27,703,830	(3,853,958)	23,849,872
Cash dividends declared		(15,833,922)	-	(15,833,922)
Retained earnings, end of year		$ 31,729,302	$ (3,443,959)	$ 28,285,343
Net income per share		$ 616.64	$ 12.73	$ 629.37

(Canadian dollars)

A. Pension and Postretirement Obligations

On January 1, 2010, the Company and Subsidiary elected to use the deferral and amortization approach. The Company and Subsidiary have applied this approach retrospectively. Such application requires the Company and Subsidiary to split the cumulative prior service costs and actuarial gains and losses from the inception of the plans until the date of transition to ASPE into a recognized portion and an unrecognized portion. However, the Company has elected to adopt the Fresh Start Approach which recognizes all cumulative prior service costs and actuarial gains and losses in beginning retained earnings at the date of adoption.

The following is a reconciliation of the approximate amounts recorded in the January 1, 2010, consolidated balance sheet.

	As Previously Reported	Effect of Initial Adoption of ASPE	As Reported Under ASPE
Pension Plans			
Projected benefit obligation	$ 18,850,000	$ -	$ 18,850,000
Fair value of plan assets	15,305,000	-	15,305,000
Plan assets less than projected benefits	(3,545,000)	-	(3,545,000)
Unamortized net actuarial loss	3,543,000	(3,543,000)	-
Unamortized prior service costs	718,000	(718,000)	-
Net accrued pension obligation recognized in the consolidated balance sheet	$ 716,000	$(4,261,000)	$ (3,545,000)
Postretirement Plans			
Accumulated postretirement benefit obligation	$ 4,110,000	$ -	$ 4,110,000
Fair value of plan assets	-	-	-
Plan assets less than accumulated postretirement benefits	(4,110,000)	-	(4,110,000)
Unamortized net actuarial loss	664,000	(664,000)	-
Unamortized prior service costs	559,000	(559,000)	-
Unamortized transition obligation	783,000	(783,000)	-
Net accrued postretirement obligation recognized in the consolidated balance sheet	$ (2,104,000)	$(2,006,000)	$ (4,110,000)

(Canadian dollars)

The related income tax adjustments for the Company and Subsidiary's initial adoption of ASPE at January 1, 2010 resulted in an increase in the long-term deferred tax asset of approximately $2,413,000, which is presented net within deferred income taxes - non-current in the consolidated balance sheet.

B. Retained Earnings at January 1, 2010

The following is a reconciliation of the approximate amounts recorded in the January 1, 2010, consolidated balance sheet.

	Note	
Retained earnings at January 1, 2010, as previously reported		$ 27,704,000
Effect of the initial adoption of ASPE		
Net accrued pension obligation	A.	(4,261,000)
Net accrued postretirement obligations	A.	(2,006,000)
Related income tax effects	A.	2,413,000
		(3,854,000)
Retained earnings at January 1, 2010, as reported under ASPE		$ 23,850,000

C. Net Income for the Year Ended December 31, 2010

The following is a reconciliation of the approximate amounts recorded in the statement of income and change in retained earnings for the year ended December 31, 2010.

Net income for the year ended December 31, 2010, as previously reported	$ 19,859,000
Effect of the initial adoption of ASPE	
Adjustment to net pension expense	244,000
Adjustment to net postretirement expense	224,000
Adjustment to foreign currency translation gain	268,000
Related income tax effects	(326,000)
	410,000
Net income for the year ended December 31, 2010, as reported under ASPE	$ 20,269,000

The effect of the Company and Subsidiary's adoption of ASPE did not result in material adjustments to the statement of cash flows for the year ended December 31, 2010.

3. Restructuring

During 2010, the Company and Subsidiary's business activity was primarily with three oil corporations, who are stockholders of the Company, and one non-affiliated oil corporation. In September 2010, a shipper, who is also a stockholder of the Company, closed its Montreal refinery. In April 2010, the non-affiliated shipper ceased utilizing the Company and Subsidiary's services. Revenues from these two shippers represented approximately 25% of 2010 revenue. In response to the decrease in volume, management has undertaken certain cost cutting measures, including but not limited to headcount reductions, as well as implementing the following initiatives:

Temporarily Idling Certain Assets

In 2011, management began the process of temporarily idling the 18" pipeline, six oil storage tanks owned by the Subsidiary and three oil storage tanks leased by the Company (see Note 8). Accordingly, the Company and Subsidiary have presented the cost and accumulated depreciation of the 18" pipeline and six oil tanks owned by the Subsidiary as idled assets (see Note 5) and have ceased to continue to depreciate these assets as management believes they have taken the necessary actions to prevent further deterioration of these operating assets. During 2011, the Company and Subsidiary incurred approximately $2,000,000 of cost associated with idling the 18" pipeline and six oil tanks owned by the Subsidiary, which is presented within maintenance expense in the consolidated statement of income and change in retained earnings. The Company and Subsidiary expect to incur approximately $2,200,000 of additional costs associated with idling the three oil tanks leased by the Company and completing the idling process of the 18" pipeline in 2012. Management has performed a review of the carrying value of the 18" pipeline and oil storage tanks and does not believe they are impaired.

Opportunities to Optimize the Use of the 18" Pipeline

Management is analyzing other opportunities to optimize the use of the 18" pipeline, including, among other things, reversing the pipeline to bring crude oil from Canada to the United States. As of December 31, 2011, December 31, 2010 and January 1, 2010, the Company and Subsidiary had approximately $6,553,000, $6,533,000 and $6,533,000, respectively, of design and other related costs associated with reversing the 18" pipeline included in construction in process. The Company and Subsidiary have completed the engineering design specification phase of the 18" pipeline reversal project and have temporarily suspended additional work relating thereto until economic conditions become more beneficial for this project. In order to complete the 18" pipeline reversal project, the Company and Subsidiary expect they will have to incur a significant amount of additional costs when the project resumes.

Capital Structure

Management is modifying the Company's capital structure over the next two years by reducing the amount of total debt outstanding by accelerating debt service payments and adjusting the amount of dividends paid to their stockholders.

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(Canadian dollars)

4. Withholding Taxes on Undistributed Earnings of Foreign Subsidiary

At December 31, 2011, December 31, 2010 and January 1, 2010, accrued withholding taxes of approximately $362,000, $259,000 and $406,000, respectively, were recorded representing the portion of the undistributed earnings and profits of the Subsidiary of approximately $7,114,000, $5,202,000 and $7,728,000, respectively, subject to withholding taxes at that date. Withholding taxes paid for dividends remitted to the Company by the Subsidiary were approximately $615,000 and $711,000 in 2011 and 2010, respectively.

5. Property, Plant and Equipment

The following summary reflects the balances in the property, plant and equipment accounts by major classification:

	Annual Depreciation Rates	**December 31, 2011**	December 31, 2010	January 1, 2010
Land, rights-of-way and buildings	0.0%-2.37%	**$ 9,307,134**	$ 9,307,134	$ 9,307,134
Oil pipeline	1.28%-2.5%	**48,042,226**	74,728,303	74,386,294
Pumping and station equipment	2.62%-10%	**42,429,975**	43,616,404	43,489,844
Oil tanks	0.55%-1.24%	**18,220,362**	25,257,527	21,123,812
Receiving and delivery facilities	2.48%-3.53%	**30,788,394**	31,039,163	30,587,177
Office furniture and other work equipment	0.2%-21.88%	**3,766,204**	3,522,607	3,400,902
Leasehold improvements	5%	**22,686,883**	22,686,883	22,619,749
Idled 18" oil pipeline	0.0%	**28,154,456**	-	-
Idled oil tanks	0.0%	**7,037,166**	-	-
Construction in process	0.0%	**6,572,976**	6,533,177	9,710,608
Total property, plant and equipment		**217,005,776**	216,691,198	214,625,520
Less accumulated depreciation and amortization				
Rights-of-way and buildings		**(5,513,516)**	(5,416,633)	(5,283,123)
Oil pipeline		**(39,017,753)**	(57,352,123)	(56,072,574)
Pumping and station equipment		**(23,456,876)**	(22,143,885)	(20,274,724)
Oil tanks		**(5,557,438)**	(7,461,421)	(7,326,296)
Receiving and delivery facilities		**(10,935,538)**	(10,400,976)	(9,642,757)
Office furniture and other work equipment		**(1,416,226)**	(1,297,380)	(1,200,896)
Leasehold improvements		**(14,825,232)**	(14,100,174)	(13,378,191)
Idled oil pipeline		**(19,541,168)**	-	-
Idled oil tanks		**(2,029,122)**	-	-
Total accumulated depreciation and amortization		**(122,292,869)**	(118,172,592)	(113,178,561)
		$ 94,712,907	$ 98,518,606	$ 101,446,959

(Canadian dollars)

6. Income Taxes

The provision for income taxes is comprised of the following for the years ended December 31, 2011 and 2010:

	2011	2010
Current tax provision		
Federal	**$ 9,359,116**	$ 9,105,849
Provincial	**2,502,270**	2,827,716
Total current provision	**11,861,386**	11,933,565
Deferred tax provision		
Federal	**997,966**	1,228,816
Provincial	**452,065**	101,269
Total deferred provision	**1,450,031**	1,330,085
Total provision	**$13,311,417**	$13,263,650

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Canadian Federal tax rates are scheduled to decrease on a graduated basis from 18.5% in 2010 to 15.0% in 2012. The deferred tax provision for 2011 and 2010 does not include an offsetting adjustment to cumulative deferred taxes for the net change in tax rates because the offsetting adjustment was recognized in 2007.

The actual tax provision is different from that which would be expected if the federal and provincial statutory rate were applied to income before income and withholding taxes, principally because of the effects of the Company's foreign subsidiary.

The Company recorded the following deferred tax liabilities and assets in its consolidated financial statements:

	December 31, 2011	December 31, 2010	January 1, 2010
Gross deferred tax liability	**$ 18,214,494**	$ 17,071,971	$ 16,117,937
Gross deferred tax asset	**(2,436,692)**	(2,744,200)	(3,120,251)
Net deferred tax liability	**$ 15,777,802**	$ 14,327,771	$ 12,997,686

(Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Net long-term liability	**$ 15,680,422**	$ 14,246,326	$ 12,924,946
Net current liability	**97,380**	81,445	72,740
Net deferred tax liability	**$ 15,777,802**	$ 14,327,771	$ 12,997,686

Deferred tax liabilities and assets are comprised of the following balances:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax liabilities			
Depreciation	**$ 14,848,672**	$ 13,508,186	$ 13,003,603
Property taxes	**202,059**	207,334	197,798
Foreign currency translation gain	**3,163,763**	3,356,451	2,916,536
Total gross deferred tax liability	**$ 18,214,494**	$ 17,071,971	$ 16,117,937
Deferred tax assets			
Survivor benefits	**$ 5,851**	$ 8,504	$ 11,343
Pension benefits	**746,409**	1,104,610	1,401,394
Postretirement benefits	**1,579,753**	1,505,197	1,582,456
Accrued vacation	**104,679**	125,889	125,058
Total gross deferred tax asset	**$ 2,436,692**	$ 2,744,200	$ 3,120,251

7. Credit Facilities

The Company has a line of credit with a stockholder totaling $40,000,000. The outstanding amounts under this credit facility bear interest at a variable rate as defined in the agreement, which was 3.7% at December 31, 2011. The agreement requires payments of interest only until June 30, 2012, at which point all principal plus accrued interest amounts shall be due and payable. The agreement will automatically extend in one year increments provided that no default has occurred and the Company or the lender has not elected to terminate the agreement. The amount outstanding under the credit facility is classified as a current liability as the lender has the right under the agreement to not extend the revolving feature of the line of credit. It is the Company's intention to exercise its option to extend the agreement on a recurring basis. At December 31, 2011, December 31, 2010 and January 1, 2010, the outstanding balance on this credit facility was $17,520,000, $30,000,000 and $33,000,000, respectively. Amounts outstanding under the $40,000,000 credit facility are guaranteed by the Subsidiary. The line is cross-defaulted with the Subsidiary's line of credit as described herein.

The Company has a line of credit agreement with Royal Bank of Canada totaling $500,000. The outstanding amounts under this credit facility bear interest at a variable rate as defined in the agreement, which was 3.0% as of December 31, 2011. Availability to borrow under this credit facility is at the sole discretion of Royal Bank of Canada and amounts outstanding under the credit facility are due on demand. No amounts were outstanding under this line of credit as of December 31, 2011, December 31, 2010 and January 1, 2010.

In February 2010, the Subsidiary entered into a new line of credit agreement with TD Bank of Maine and repaid all of its outstanding obligations with KeyBank National Association. The line of credit with TD Bank of Maine provides for borrowings of up to $25,000,000 U.S. Dollars to be used to finance capital expenditures and for general corporate purposes. The line of credit bears interest at the one-month London Interbank Offered Rate plus 1.65% (1.91% at December 31, 2011). In May 2012, the Subsidiary entered into an amendment to its line of credit agreement which, among other things, will reduce the maximum availability to borrow from $25,000,000 to $20,000,000 and reduce the interest rate charged from LIBOR plus 1.65% to LIBOR plus 1.18%. The total outstanding balance on these two credit facilities translates to $13,621,698, $21,334,170 and $23,594,950 at December 31, 2011, December 31, 2010 and January 1, 2010, respectively. The line of credit expires in February 2015. The Company has guaranteed the payment of the Subsidiary's obligation to TD Bank of Maine. The line of credit contains a negative pledge agreement on all assets and is cross-defaulted with the Company's line of credit as described herein.

Under the terms of the credit facilities, the Company and Subsidiary are required, among other things, to meet certain financial covenants, calculated on a quarterly basis, as defined, including a maximum effective leverage ratio and a fixed charge coverage ratio, as defined, on a consolidated and stand-alone basis.

8. Leases, Including Those with Related Parties

In addition to the related party transactions previously disclosed, the Company has an operating lease agreement with a stockholder for the rental of four oil storage tanks, which expires on March 31, 2013. The lease provides for an additional one-year renewal option subject to certain conditions, as defined. Annual lease payments, payable in monthly installments, totaled approximately $2,539,000 and $2,484,000 in 2011 and 2010, respectively, and are subject to annual increases tied to the Consumer Price Index (CPI), as defined.

The Company has a twenty-year operating lease agreement with a stockholder for the rental of land, which expires on July 1, 2022. Annual lease payments totaling $50,000 are payable in equal monthly installments. The annual lease payments are reviewed every fifth anniversary date and are adjusted by the same percentage that the CPI has changed over the previous five years. During the July 2007 review, the two parties agreed that there would be no increase to the required annual lease payments. The Company constructed, on this land, two oil storage tanks which, upon termination of the lease, will become the property of the stockholder. At December 31, 2011, December 31, 2010 and January 1, 2010, the net book value of the two storage tanks is approximately $7,862,000, $8,587,000 and $9,182,000, respectively.

(Canadian dollars)

On November 1, 2011, the Company entered into a right-of-way agreement with the Montreal Port Authority (MPA), which expires on October 31, 2031. Annual lease payments totaling approximately $166,000 are payable in equal monthly installments. The lease payments are adjusted annually on January 1 by the annual increase in CPI, as defined. Additionally, annual lease payments are reviewed every fifth year, commencing on January 1, 2017, at which time MPA has the option to revise the annual lease payment by a market value adjustment, as defined.

For the years ended December 31, 2011 and 2010, total lease payments under these agreements totaled approximately $2,617,000 and $2,534,000, respectively, of which $2,589,000 and $2,534,000, respectively, were paid to related parties. Future lease minimum payments under these noncancelable lease agreements over the next five years are anticipated to total approximately $2,800,000 in 2012, $850,000 in 2013 and $216,000 per annum for the years 2014 through 2016.

9. Employee Pension Plans

The Company and the Subsidiary each have a defined benefit pension plan for their employees. The benefits are based on years of service and the employee's compensation, as defined.

The Company and Subsidiary accrue their obligations under employee benefit plans and the related costs, net of plan assets. The Company and Subsidiary have adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Prior service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

The Company and Subsidiary expect to contribute approximately $1,083,000 to their pension plans in 2012.

The Company and Subsidiary expect to make the following benefit payments for the next five years and in total for the subsequent five years:

2012	$ 1,211,000
2013	1,271,000
2014	1,323,000
2015	1,333,000
2016	1,402,000
2017-2021	7,901,000

(Canadian dollars)

The following tables set forth the Plans' funded status and related changes, and amounts recognized in the Company's consolidated financial statements:

	December 31, 2011	December 31, 2010	January 1, 2010
Change in benefit obligation			
Projected benefit obligation at beginning of year	**$ 19,616,000**	$ 18,850,000	$ 19,831,000
Service cost	**519,000**	475,000	424,000
Interest cost	**1,098,000**	1,130,000	1,178,000
Amendments	**785,000**	-	-
Benefits paid	**(1,161,000)**	(1,040,000)	(1,147,000)
Actuarial loss	**3,724,000**	997,000	792,000
Foreign currency translation loss (gain)	**314,000**	(796,000)	(2,228,000)
Projected benefit obligation at end of year	**$ 24,895,000**	$ 19,616,000	$ 18,850,000
Change in plan assets			
Fair value of plan assets at beginning of year	**$ 16,355,000**	$ 15,305,000	$ 12,293,000
Actual return on plan assets	**240,000**	1,711,000	2,509,000
Employer contributions	**1,609,000**	1,056,000	3,209,000
Benefits paid	**(1,161,000)**	(1,040,000)	(1,147,000)
Actual plan expenses	**(62,000)**	(36,000)	(33,000)
Foreign currency translation gain (loss)	**270,000**	(641,000)	(1,526,000)
Fair value of plan assets at end of year	**$ 17,251,000**	$ 16,355,000	$ 15,305,000
Funded status of the Plan			
Plan assets less than projected benefits	**$ (7,644,000)**	$ (3,261,000)	$ (3,545,000)
Unamortized prior service cost	**778,000**	-	-
Unamortized net actuarial loss	**5,166,000**	439,000	-
Net accrued pension obligation recognized in the consolidated balance sheets	**$ (1,700,000)**	$ (2,822,000)	$ (3,545,000)
Cost recognized in income			
Service cost, including provision for plan expenses	**$ 544,000**	$ 500,000	
Interest cost	**1,098,000**	1,130,000	
Expected return on plan assets	**(1,206,000)**	(1,142,000)	
Amortization of prior service costs	**7,000**	-	
Net pension expense	**$ 443,000**	$ 488,000	

(Canadian dollars)

Effective October 1, 2011, the Company amended their defined benefit pension plan to, among other things, 1) increase the retirement age for receiving unreduced benefits from age 60 to 62 for new hires, 2) eliminate the provision that allows an employee to retire at age 55 with 30 years of service with unreduced benefits for new hires, 3) to increase the service requirement to be eligible to receive subsidized early retirement benefit from 10 years to 15 years for new hires, 4) add a 50% company subsidized joint and survivor benefit for new retirees with a spouse at retirement, 5) eliminate the Widows and Dependents Benefits for new retirees and 6) to provide a 4% ad hoc increase to participants who began receiving benefit payments prior to 2011. The net effect of these amendments resulted in an increase in the projected benefit obligation of approximately $280,300.

Effective October 1, 2011, the Subsidiary amended their defined benefit pension plan to, among other things, 1) increase the retirement age for receiving unreduced benefits from age 60 to 62 for new hires, 2) eliminate the survivor benefit program for new retirees and 3) provide a 5% ad hoc increase to participants who began receiving benefit payments prior to 2011. The net effect of this amendment resulted in an increase in the projected benefit obligation of approximately $504,700.

Assumptions as of	**December 31, 2011**	December 31, 2010	January 1, 2010
Company			
Discount rate	**4.30 %**	5.00 %	6.40 %
Expected return on assets	**5.90 %**	6.20 %	6.75 %
Average rate of increase in compensation	**3.00 %**	3.00 %	3.50 %
Subsidiary			
Discount rate	**4.75 %**	5.90 %	5.90 %
Expected return on assets	**8.00 %**	8.00 %	8.00 %
Average rate of increase in compensation	**3.00 %**	3.00 %	3.50 %

The discount rate for calculating year-end pension obligations is based on the yield for high quality, long-term corporate bonds at year-end with an average maturity (or duration) approximately that of the obligations.

The Company and Subsidiary use a December 31 measurement date for their employee pension plans, which represents the measurement dates of each years most recent actuarial valuation.

The expected rate of return on plan assets assumption was developed based on a review of historical returns for the major asset classes. This analysis considered both current capital market conditions and projected future conditions.

(Canadian dollars)

The Company and Subsidiary's consolidated weighted average asset allocations at December 31, 2011, December 31, 2010 and January 1, 2010, by asset category are:

Asset Category	Target Allocation	**December 31, 2011**	December 31, 2010	January 1, 2010
Equity securities	60 %	**60 %**	60 %	60 %
Debt securities	39 %	**39 %**	39 %	39 %
Other	1 %	**1 %**	1 %	1 %
	100 %	**100 %**	100 %	100 %

The Company and Subsidiary's pension plan assets are held in trust with a trustee and are invested in various passive index fund investments in order to achieve sufficient diversification in accordance with the Company and Subsidiary's risk tolerance. This is achieved through an investment manager who periodically rebalances the portfolio to the target allocation to adhere to the investment policy guideline established by the Company and Subsidiary.

The Company and Subsidiary also provide employee savings plans and recorded benefit expenses related to such plans of approximately $254,000 and $268,000 for the years ended December 31, 2011 and 2010, respectively.

10. Postretirement Benefits

The Company provides certain healthcare and life insurance benefits for all of the Company's retired employees. The Subsidiary also provides certain healthcare and life insurance benefits for substantially all of its retired employees.

The Company and the Subsidiary do not fund expected future obligations, but pay benefits as they are incurred. The cost of postretirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected healthcare costs. The Company and Subsidiary expect to contribute approximately $280,000 to their postretirement benefits plan in 2012.

The Company and Subsidiary expect to make the following benefit payments for the next five years and in total for the subsequent five years:

2012	$ 280,000
2013	274,000
2014	277,000
2015	293,000
2016	307,000
2017-2021	1,486,000

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(Canadian dollars)

The following tables set forth the plans' funded status and amounts recognized in the Company's consolidated financial statements:

	December 31, 2011	December 31, 2010	January 1, 2010
Change in accumulated postretirement benefit obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 4,538,000**	$ 4,110,000	$ 3,744,000
Service cost	**118,000**	85,000	60,000
Interest cost	**257,000**	254,000	217,000
Employee contributions	**88,000**	119,000	138,000
Amendments	**-**	-	459,000
Benefits paid	**(355,000)**	(444,000)	(478,000)
Actuarial loss	**742,000**	606,000	488,000
Foreign currency translation loss (gain)	**78,000**	(192,000)	(518,000)
Accumulated postretirement benefit obligation, end of year	**$ 5,466,000**	$ 4,538,000	$ 4,110,000
Change in plan assets			
Fair value of plan assets, beginning of year	**$ -**	$ -	$ -
Employer contributions	**267,000**	325,000	340,000
Employee contributions	**88,000**	119,000	138,000
Benefits paid	**(355,000)**	(444,000)	(478,000)
Fair value of plan assets, end of year	**$ -**	$ -	$ -
Funded status of the Plan			
Plan assets less than accumulated postretirement benefits	**$ (5,466,000)**	$ (4,538,000)	$ (4,110,000)
Unamortized net actuarial loss	**1,334,000**	606,000	-
Net accrued postretirement benefit obligation recognized in the consolidated balance sheets	**$ (4,132,000)**	$ (3,932,000)	$ (4,110,000)
Costs recognized in income			
Service cost	**$ 118,000**	$ 85,000	
Interest cost	**257,000**	254,000	
Amortization of net actuarial loss	**14,000**	-	
Net postretirement expense	**$ 389,000**	$ 339,000	

(Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assumptions as of December 31			
Company			
Discount rate	**4.30 %**	5.00 %	6.40 %
Assumed healthcare cost trend rates			
Initial	**9.00 %**	6.00 %	6.00 %
Ultimate	**5.00 %**	6.00 %	6.00 %
Years to reach ultimate	**8 years**	None	None
Subsidiary			
Discount rate	**4.75 %**	5.90 %	5.90 %
Assumed healthcare cost trend rates			
Initial	**7.77 %**	8.01 %	8.25 %
Ultimate	**4.50 %**	4.50 %	4.50 %
Years to reach ultimate	**16 years**	17 years	9 years

The discount rate for calculating year-end postretirement obligations is based on the yield for high quality, long-term corporate bonds at year-end with an average maturity (or duration) approximately that of the obligations.

	December 31, 2011	December 31, 2010	January 1, 2010
The effect of a one percentage point increase in the assumed healthcare cost trend rate in each future year on			
(1) the aggregate of the service and interest cost components of expense	$ **44,000**	$ **26,000**	$ 14,000
(2) the year-end accumulated postretirement benefit obligation	$ **403,000**	$ **289,000**	$ 223,000
The effect of a one percentage point decrease in the assumed healthcare cost trend rate in each future year on			
(1) the aggregate of the service and interest cost components of expense	$ **(36,000)**	$ **(22,000)**	$ (12,000)
(2) the year-end accumulated postretirement benefit obligation	$ **(349,000)**	$ **(251,000)**	$ (186,000)

(Canadian dollars)

11. Tendered Oil Inventory

At December 31, 2011, December 31, 2010 and January 1, 2010, the Company and Subsidiary held in their custody approximately 2,207,000, 2,124,000 and 4,312,000 barrels, respectively, of shippers' oil under the provisions of their published tariff.

12. Commitments and Contingencies

Maine Coastal Cleanup Fund

The Subsidiary is subject to the State of Maine Coastal Cleanup Fund. The Fund assesses a charge of $0.03 U.S. Dollars on barrels of oil received at the Subsidiary's facility, which is used to fund the State's operations related to oil spill resource management. Expenses related to these charges amounted to approximately $1,868,000 and $3,045,000 for the years ended December 31, 2011 and 2010, respectively, and are included in taxes other than income taxes.

Regulatory Requirements

The Company and Subsidiary are required to be in compliance with certain regulations imposed by various regulatory agencies including, but not limited to, the Canadian National Energy Board, U.S. Department of Transportation, U.S. Environmental Protection Agency and the Maine Department of Environmental Protection. These regulations require the Company and Subsidiary to perform, among other things, certain modifications on equipment to meet safety requirements, periodic inspection and testing of equipment, maintenance of various operational programs and preparation of periodic regulatory filings. Many of the costs associated with being in compliance with these regulations are reoccurring in nature and thus are being charged to operations in the period in which they occur. As of December 31, 2011, December 31, 2010 and January 1, 2010, obligations to satisfy certain equipment modifications required under these regulatory requirements cannot be measured until certain inspection activities are performed. Accordingly, the Company and Subsidiary will record any resulting future obligations in the period in which they occur and when reasonable estimates can be made.