Consolidated Financial Statements

Badger Daylighting Ltd.

[formerly Badger Income Fund]
December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Badger Daylighting Ltd. [formerly Badger Income Fund]

We have audited the accompanying consolidated balance sheets of **Badger Daylighting Ltd.** as at December 31, 2010 and 2009 and the consolidated statements of earnings and comprehensive income and retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' responsibility

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 audit 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 auditors consider 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Badger Daylighting Ltd.** as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Calgary, Canada,
March 23, 2011.

Badger Daylighting Ltd.
[formerly Badger Income Fund]

CONSOLIDATED BALANCE SHEETS

As at December 31

	2010	2009
	$	$
ASSETS *[note 5]*		
Current		
Cash and short-term deposits	**11,890,341**	7,516,605
Accounts receivable	**37,869,248**	30,205,878
Inventories	**1,993,609**	1,792,708
Income taxes receivable	**424,978**	—
Prepaid expenses	**1,163,748**	776,997
	53,341,924	40,292,188
Property, plant and equipment *[note 3]*	**94,566,785**	91,155,437
Intangible assets *[note 4]*	**4,899,513**	4,795,512
Goodwill	**1,621,000**	1,621,000
	154,429,222	137,864,137
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**13,775,173**	11,364,134
Income taxes payable	—	907,377
Distributions payable	**1,135,431**	1,134,893
Current portion of long-term debt *[note 5]*	**323,768**	323,768
	15,234,372	13,730,172
Long-term debt *[note 5]*	**40,347,627**	31,960,496
Future income taxes *[note 9]*	**20,194,282**	19,280,129
	75,776,281	64,970,797
Commitments and contingencies *[notes 14 and 16]*		
Shareholders' equity		
Share capital *[note 6]*	**44,473,107**	44,387,955
Contributed surplus *[note 6]*	**4,544,450**	3,813,850
Retained earnings	**29,635,384**	24,691,535
	78,652,941	72,893,340
	154,429,222	137,864,137

See accompanying notes

On behalf of the Board:

Director

Director

Badger Daylighting Ltd.
[formerly Badger Income Fund]

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND RETAINED EARNINGS

Years ended December 31

	2010 $	2009 $
Revenues	**139,610,783**	134,970,474
Direct costs	**92,403,644**	88,279,551
Gross margin	**47,207,139**	46,690,923
Expenses		
Amortization	**13,171,872**	13,836,620
Gain on sale of property, plant and equipment *[note 7]*	**(102,154)**	(1,474,757)
Interest - long-term	**984,724**	1,481,160
Selling, general and administrative *[notes 6 and 15]*	**12,224,084**	11,487,400
Foreign exchange loss (gain)	**393,954**	(265,744)
	26,672,480	25,064,679
Earnings before income taxes	**20,534,659**	21,626,244
Income taxes *[note 9]*		
Current	**461,138**	1,921,023
Future	**1,510,793**	52,093
	1,971,931	1,973,116
Net earnings and comprehensive income for the year	**18,562,728**	19,653,128
Retained earnings, beginning of year	**24,691,535**	18,652,604
Distributions *[note 10]*	**(13,618,879)**	(13,614,197)
Retained earnings, end of year	**29,635,384**	24,691,535
Net earnings per share *[note 8]*		
Basic	**1.72**	1.82
Diluted	**1.71**	1.82

See accompanying notes

Badger Daylighting Ltd.
[formerly Badger Income Fund]

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2010 $	2009 $
OPERATING ACTIVITIES		
Net earnings and comprehensive income for the year	**18,562,728**	19,653,128
Add (deduct) items not involving cash		
Amortization	**13,171,872**	13,836,620
Future income taxes	**1,510,793**	52,093
Unit-based compensation	**730,600**	1,250,000
Foreign exchange loss (gain)	**393,954**	(265,744)
Unrealized foreign exchange gain on future income taxes	**(596,640)**	(2,039,882)
Gain on sale of property, plant and equipment	**(102,154)**	(1,474,757)
	33,671,153	31,011,458
Net change in non-cash working capital relating to operating activities	**(7,566,292)**	2,764,367
	26,104,861	33,775,825
FINANCING ACTIVITIES		
Proceeds received on the exercise of options	**85,152**	—
Proceeds from long-term debt	**8,710,902**	—
Repayment of long-term debt	**(323,771)**	(7,297,098)
Distributions	**(13,618,341)**	(13,612,332)
	(5,146,058)	(20,909,430)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(17,086,354)**	(12,363,674)
Purchase of service rights, intangible assets	**(300,000)**	(200,000)
Proceeds on disposal of property, plant and equipment	**801,287**	4,557,740
	(16,585,067)	(8,005,934)
Increase in cash and short-term deposits during the year	4,373,736	4,860,461
Cash and short-term deposits, beginning of year	7,516,605	2,656,144
Cash and short-term deposits, end of year	11,890,341	7,516,605
Supplemental information		
Interest paid	1,255,624	1,210,260
Income taxes paid	1,793,493	1,071,781
Property, plant and equipment financed by accounts payable and accrued liabilities	—	2,033,000

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

1. NATURE OF BUSINESS

Badger Daylighting Ltd. ["Badger" or the "Company"] is a publicly traded company incorporated under the Business Corporations Act (Alberta) [the "Act"]. The Company was created in connection with the conversion of Badger Income Fund [the "Fund"] to a corporation pursuant to a Plan of Arrangement under the Act [the "Conversion"]. The Conversion was completed on December 31, 2010.

Upon closing of the Conversion, the Company became the operator of the business of the Fund and its subsidiaries and the existing management and board of trustees of the Fund became the management and board of directors of the Company. The Conversion resulted in the unitholders of the Fund becoming shareholders of the Company with no changes to the underlying business operations.

Prior to the Conversion, the consolidated financial statements included the accounts of the Fund and its subsidiaries, all of which were wholly owned. Subsequent to the Conversion, the consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The Company is considered a continuation of the Fund and these consolidated financial statements were prepared using the continuity of interests method of accounting. Under the continuity of interests method of accounting the transfer of assets, liabilities and equity from the Fund to the Company are recorded at their net book values as at December 31, 2010.

The common shares of the Company trade on the Toronto Stock Exchange under the symbol BAD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ["GAAP"]. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations which have been made using careful judgment. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

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Cash and short-term deposits

The Company's short-term investments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being defined to include laid-down cost for materials and actual cost for direct labour on a weighted average basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided on a straight-line basis to recognize the cost less estimated salvage value of the assets over their estimated useful lives as follows:

Land improvements	10%
Buildings	5%
Shoring equipment	10%
Shop and office equipment	10%
Trucks and trailers	10% - 15%
Leasehold improvements	20%
Computers	25%

Amortization of equipment under construction is not recorded until such time as the construction is completed and the assets have been put into use.

Although management believes its estimates of the useful lives of the Company's property, plant and equipment are reasonable, it is possible that another estimate may be made or that management's estimate may change in the future, which could result in changes to the rates. Management bases its estimate of the useful life of equipment on expected utilization, technological change and effectiveness of maintenance programs.

Impairment of long-lived assets

All non-monetary long-lived assets with finite useful lives are subject to review for asset impairment. Impairment is recognized if the carrying value of the asset exceeds the sum of the undiscounted cash flows expected to result from that asset. A long-lived asset must be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

Intangible assets

Intangible assets represent service rights acquired, customer relationships, trade name and a non-compete agreement. Intangible assets are amortized on a straight-line basis over five years, with the exception of those intangible assets which have an indefinite life. Intangible assets are tested for impairment on an annual basis or more frequently if events or circumstances indicate the asset may be impaired. The impairment test includes the application of a fair value test, with an impairment loss recognized as an expense when the carrying amount of the asset exceeds its fair value.

Goodwill

Goodwill represents the excess of the purchase price over fair value of net assets acquired and liabilities assumed. Goodwill is not subject to amortization, but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate the asset may be impaired. The impairment test for goodwill includes the application of a fair value test, with an impairment loss recognized as an expense where the carrying amount of the asset exceeds its fair value. Any goodwill impairment will be recognized as an expense in the period the impairment is determined.

Income taxes

The Company and its subsidiaries are subject to certain capital taxes and corporate income taxes and follow the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences", and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Company's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

Revenue recognition

The Company recognizes revenue from services when the services are provided. Truck placement fees are recognized when the truck is delivered.

Net earnings per share

Basic net earnings per share were calculated on the basis of the weighted average number of shares outstanding for the year.

Diluted net earnings per share is calculated by adding the weighted average number of shares outstanding during the year to the additional shares that would have been outstanding if potentially dilutive shares had been issued, using the treasury stock method. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds from the exercise of dilutive securities are used to purchase shares at the average market price.

Long-term incentive plan

The Company has established a long-term Incentive Plan [the "Incentive Plan"] available to certain directors, officers and key employees of the Company and designated affiliates of the Company. The shares from the Incentive Plan are issued at the ten day weighted average price prior to the issuance date, with the related cost recorded as compensation expense.

Share-based compensation

The Company established an employee share option plan [the "Option Plan"] for directors, officers, employees, and consultants who otherwise meet the definition of an employee of the Company. The Company accounts for the options using the fair value method, whereby the fair value of options is determined on the date at which fair value can initially be determined. Fair value is determined using the Black-Scholes option pricing model. The fair value is then recorded as compensation expense on a straight-line basis, over the period that the options vest, with a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded to shareholders' capital.

The Company established a long-term incentive plan entitled the Performance Share Units Plan ["PSU Plan"] to reward officers and employees. The Company determines compensation expense based on the estimated fair values of the PSUs at the end of the year, the cost of which is recognized in net earnings over the vesting periods of the PSUs.

Foreign currency translation

The subsidiaries in the U.S. have been accounted for as integrated foreign operations and have been translated using the temporal method.

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the average exchange rates for the year. Exchange gains or losses arising on translation are included in the consolidated statements of earnings and comprehensive income and retained earnings.

Future accounting changes

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (IFRS). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. This standard will impact the

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Company's consolidated financial statements if the Company enters a business combination in the future.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replaced Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1 2011, unless they are adopted early, at the same time as Section 1582 "Business Combinations". The adoption of these standards is not expected to have any material impact on the Company's financial statements unless the Company enters into a business combination in the future.

International Financial Reporting Standards ["IFRS"]

In 2006 the Accounting Standards Board ["AcSB"] published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transition period with adoption required effective January 1, 2011.

3. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost $	**Accumulated amortization** $	**Net book value** $
Land	**5,127,287**	—	**5,127,287**
Land improvements	**366,643**	**366,643**	—
Buildings	**8,956,025**	**2,436,786**	**6,519,239**
Equipment under construction	**5,571,565**	—	**5,571,565**
Shoring equipment	**2,287,990**	**1,300,365**	**987,625**
Shop and office equipment	**529,605**	**343,534**	**186,071**
Trucks and trailers	**142,383,059**	**66,246,638**	**76,136,421**
Leasehold improvements	**47,946**	**23,374**	**24,572**
Computers	**161,507**	**147,502**	**14,005**
	165,431,627	**70,864,842**	**94,566,785**

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	2009		
	Cost $	**Accumulated amortization** $	**Net book value** $
Land	4,989,787	—	4,989,787
Land improvements	366,643	366,643	—
Buildings	4,162,584	2,139,212	2,023,372
Equipment under construction	2,573,439	—	2,573,439
Shoring equipment	2,308,261	1,130,667	1,177,594
Shop and office equipment	504,437	313,410	191,027
Trucks and trailers	139,616,252	59,425,120	80,191,132
Leasehold improvements	25,316	16,792	8,524
Computers	126,322	125,760	562
	154,673,041	63,517,604	91,155,437

4. INTANGIBLE ASSETS

	Net book value December 31, 2009 $	**Additions** $	**Amortization** $	**Net book value December 31, 2010** $
Service rights	4,354,511	**300,000**	—	**4,654,511**
Customer relationships	364,500	—	**162,000**	**202,500**
Trade name	36,000	—	**16,000**	**20,000**
Non-compete agreement	40,501	—	**17,999**	**22,502**
	4,795,512	**300,000**	**195,999**	**4,899,513**

5. LONG-TERM DEBT

	2010 $	2009 $
Extendable revolving credit facility	**37,412,841**	28,701,939
Commercial mortgage on land and building, repayable in monthly principal payments of $17,917 plus interest until June 2023, bearing interest at bank prime plus 0.75% [2010 – 3.75%; 2009 - 3.00%]	**2,687,500**	2,902,492
Commercial mortgage on land and building, repayable in monthly principal payments of $9,064 plus interest until February 2016, bearing interest at bank prime plus 0.75% [2010 – 3.75%; 2009 - 3.00%]	**571,054**	679,833
	40,671,395	32,284,264
Current portion	**323,768**	323,768
	40,347,627	31,960,496

The Company has established a $40,000,000 extendable revolving credit facility. The purpose of the credit facility is to finance the Company's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Company's option, at either the bank's prime rate [2010 – 3.00%] or bankers' acceptance rate plus 1.50% [2010 – 2.71%]. An additional stand-by fee calculated at an annual rate of 0.35% per annum is also required on the unused portion of the credit facility. This fee is expensed as incurred.

The credit facility has no required principal repayment. The credit facility expires on June 25, 2011 renewable at the Company's option for an additional 364 day period. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid.

The commercial mortgages and the extendable revolving credit facility are collateralized by a general security interest over the Company's assets, property and undertaking, present and future.

Under the terms of the credit facilities, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2010, and as at December 31, 2010, the Company was in compliance with all of these covenants.

As at December 31, 2010 the Company has issued letters of credit in the amount of approximately $240,000 [2009 - $240,000]. The outstanding letters of credit reduce the amount available under the extendable revolving credit facility.

Principal repayments on the above loans in each of the next five years and thereafter are as follows [this assumes the extendable revolving credit facility is not renewed on June 25, 2011, which would necessitate repayment in 2012]:

	$
2011	323,768
2012	37,736,609
2013	323,768
2014	323,768
2015	323,768
Thereafter	1,639,714
	40,671,395

6. SHAREHOLDERS' EQUITY

[a] Share capital

Authorized

Pursuant to the Plan of Arrangement discussed in note 1, Fund Unitholders received one common share of Badger in exchange for every fund unit held on the effective date of the Conversion.

Unlimited number of common shares

Issued and outstanding

	Shares/Units	Amount $
Units outstanding as at December 31, 2008	**10,790,744**	**44,183,155**
Units issued under the Incentive Plan	17,759	204,800
Units outstanding as at December 31, 2009	**10,808,503**	**44,387,955**
Units cancelled	(1,092)	—
Units issued pursuant to unit option plan	6,220	85,152
Shares outstanding as at December 31, 2010	**10,813,631**	**44,473,107**

[b] Share option plan

In connection with the Conversion *[see note 1]*, Badger established a Share Option Plan to replace the unit Option Plan of the Fund. Holders of options to purchase Fund units of the Fund granted pursuant to the Unit Option Plan as at December 31, 2010 exchanged their unit options for share options with the same terms.

Under the share option plan, directors, officers, employees and consultants of the Company are eligible to receive Company share options to acquire shares, with terms not to exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the shares traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the share option plan, vesting periods are determined by the directors of the Company at the time of the grant. All share options granted to December 31, 2010 vest equally over a period of three years from the date of grant. The maximum number of shares to be issued under this plan may not exceed 850,000 shares.

A summary of the share/unit option transactions for the years ended December 31, 2010 and 2009 is as follows:

	2010		2009	
	Units	Weighted average exercise price $	Units	Weighted average exercise price $
Outstanding at beginning of year	**765,500**	**16.97**	605,375	18.03
Granted	**9,000**	**14.20**	184,125	13.69
Exercised	**(6,220)**	**13.69**	—	—
Forfeited/expired	—	—	(24,000)	18.68
Outstanding at end of year	**768,280**	**16.96**	765,500	16.97

The following provides a summary of the Option Plan as at December 31, 2010:

Options outstanding			Options exercisable	
Outstanding at December 31, 2010	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at December 31, 2010	Weighted average exercise price $
160,000	0.4	$17.50	160,000	$17.50
50,000	0.6	$17.45	50,000	$17.45
255,000	1.4	$16.41	255,000	$16.41
116,375	2.4	$22.45	77,583	$22.45
177,905	3.4	$13.69	55,155	$13.69
9,000	4.7	$14.20	—	—

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The estimated weighted average fair value of share options granted as of December 31, 2010 is $4.96 [2009 - $4.96] per share option. The fair value of each share option grant was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	2010	**2009**
Dividend yield	**7.5%**	7.5%
Risk-free interest rate	**3.5%**	3.5%
Expected life of options	**5 years**	5 years
Expected volatility factor of the future expected market price of shares	**60%**	60%

The Company recorded compensation expense, included as part of selling, general and administrative expenses, of $730,600 [2009 - $1,200,000] with an offsetting increase to contributed surplus in respect of the share options granted as of December 31, 2010.

[c] Long-term incentive plan

The Company has reserved 200,000 shares for issuance under the Incentive Plan. In March 2009, in partial settlement of the incentive bonus accrued at the end of 2008, the Company issued 14,009 units, pursuant to the Incentive Plan with a total market price of $154,800. In May 2009, in partial settlement of 2009 trustees' fees, the Company issued 3,750 units pursuant to the Incentive Plan with a total market price of $50,000. The related compensation costs are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings and comprehensive income and retained earnings.

[d] Performance Share Units plan

The Company established the PSU Plan to reward officers and employees. The number of shares units earned is dependent upon the achievement of certain financial targets over a three-year period. The PSUs are earned over the same three-year period and vest on the third anniversary of the grant, at which time the holder is entitled to cash equal to the aggregate current market value of the number of Company shares subject to the PSUs. Dividends per PSU are added to the entitlement after the PSUs are earned. Compensation expense is based on the estimated fair value of the award determined at the end of each quarter and recognized on a straight-line basis throughout the term of the vesting period, with a corresponding increase to accrued liabilities. On May 13, 2008, May 15, 2009 and May 11, 2010, the Company granted awards pursuant to the plan and has recorded $437,000 [2009 - $249,000] as compensation expense for the year ended December 31, 2010, as part of selling, general and administrative expenses.

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[e] Contributed surplus

As at December 31, 2010 and 2009 respectively, contributed surplus is comprised of the following:

	2010 $	2009 $
Beginning of year	**3,813,850**	2,613,850
Unit-based compensation expense	**730,600**	1,200,000
End of year	**4,544,450**	3,813,850

7. GAIN ON SALE OF LAND AND BUILDING

On November 1, 2009 the Company sold certain land and a building for gross proceeds of $3,200,000, resulting in a gain on sale of $1,143,676.

8. NET EARNINGS PER SHARE

Basic per share calculations for the years ended December 31, 2010 and 2009 were based on the weighted average number of shares outstanding of 10,808,435 and 10,804,081, respectively. Diluted per share calculations for the years ended December 31, 2010 and 2009 were based on the weighted average number of shares outstanding of 10,831,445 and 10,804,081, respectively.

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9. INCOME TAXES

Badger converted from a publicly traded income fund to a publicly traded corporation on December 31, 2010 *[see note 1]*.

Income tax expense differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

	2010 $	**2009** $
Earnings before income taxes	**20,534,659**	21,626,244
Statutory income tax rate	**28.85%**	29.87%
Expected income tax provision	**5,924,249**	6,459,759
Add (deduct):		
Income attributable to unitholders	**(3,424,774)**	(3,252,063)
Losses not previously recognized	**(1,104,526)**	(2,101,704)
Foreign tax rate differential	**712,593**	908,389
Other	**(135,611)**	(41,265)
	1,971,931	1,973,116

In 2007, the Government of Canada enacted a Federal tax rate reduction of 1.0 percent in 2008, 0.5 percent in 2009, 1.0 percent in 2010, 1.5 percent in 2011 and 1.5 percent in 2012.

The future income tax assets and liabilities are comprised of the tax effect of the following temporary differences:

	2010 $	**2009** $
Future income tax assets	**310,000**	1,028,496
Future income tax liabilities:		
Property, plant and equipment	**17,447,903**	17,833,112
Intangible assets and goodwill	**221,465**	178,440
Partnership income	**2,834,914**	2,297,073
	20,504,282	20,308,625
Net future income taxes	**20,194,282**	19,280,129

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10. RECONCILIATION OF ACCUMULATED UNITHOLDER DISTRIBUTIONS DECLARED AND PAID

	2010 $	2009 $
Distributions declared and paid	**12,483,448**	12,479,304
Distributions declared and payable	**1,135,431**	1,134,893
Accumulated distributions, beginning of year	**73,527,863**	59,913,666
Accumulated distributions, end of year	**87,146,742**	73,527,863

Prior to the Conversion [note 1] the Fund made monthly cash distributions to its holders of Fund units. Subsequent to the Conversion, the Company has made monthly cash dividends to its shareholders. Determination of the amount of cash dividends for any period is at the sole discretion of the directors and is based on certain criteria including financial performance as well as the projected liquidity and capital resource position of the Company. Dividends are declared to shareholders of record on the last business day of each month, and paid on the 15th day of the month following [or if such day is not a business day, the next following business day].

11. GEOGRAPHIC INFORMATION

The Company operates in two geographic/reportable segments providing daylighting services to each of these segments. The following is selected information for the years ended December 31, 2010 and 2009 based on these geographic segments.

	2010			**2009**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Revenues	**82,923,252**	**56,687,531**	**139,610,783**	77,020,605	57,949,869	134,970,474
Direct costs	**53,059,064**	**39,344,580**	**92,403,644**	50,313,673	37,965,878	88,279,551
Selling, general and administrative	**8,817,061**	**3,407,023**	**12,224,084**	7,880,599	3,606,801	11,487,400
Amortization	**7,945,475**	**5,226,397**	**13,171,872**	7,808,455	6,028,165	13,836,620
Earnings before income taxes	**12,269,286**	**8,265,373**	**20,534,659**	11,298,131	10,328,113	21,626,244
Property, plant and equipment	**54,922,254**	**39,644,531**	**94,566,785**	49,774,184	41,381,253	91,155,437
Intangible assets	**4,899,513**	**—**	**4,899,513**	4,795,512	—	4,795,512
Goodwill	**1,621,000**	**—**	**1,621,000**	1,621,000	—	1,621,000
Total assets	**88,300,963**	**66,128,259**	**154,429,222**	75,345,036	62,519,101	137,864,137
Capital expenditures	**14,188,444**	**2,897,910**	**17,086,354**	3,227,301	4,965,373	8,192,674

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12. CAPITAL MANAGEMENT

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company considers the capital structure to consist of net debt and shareholders' equity. The Company considers net debt to be total long-term debt less cash and short-term deposits. The Company seeks to maintain a balance between the level of net debt and shareholders' equity to facilitate access to capital markets to fund growth and working capital. On a historical basis, it is management's objective and view that the Company has maintained a conservative and appropriate ratio of net debt to net debt plus shareholders' equity. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities. As at December 31, 2010 and 2009, this ratio was as follows:

	2010 $	2009 $
Long-term debt	**40,671,395**	32,284,264
Cash and short-term deposits	**(11,890,341)**	(7,516,605)
Net debt	**28,781,054**	24,767,659
Shareholders' equity	**78,652,941**	72,893,340
Total capitalization	**107,433,995**	97,660,999
Net debt to total capitalization (%)	**27%**	25%

The Company sets the amounts of its various forms of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce net debt.

The Company is bound by certain financial and non-financial covenants as defined by its bank. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance. The financial covenants are as follows:

Ratio	December 31, 2010	December 31, 2009	Threshold
Current[1]	**3.58:1**	3.01:1	1.20:1 minimum
Funded Debt[2] to EBITDA[3]	**0.83:1**	0.87:1	2.00:1 maximum
Fixed Charge Coverage[4]	**1.91:1**	2.49:1	1.00:1 minimum
Distribution/Dividend[5]	**0.71:1**	0.65:1	1.00:1 maximum

[1] Current Ratio means the ratio of the consolidated current assets to consolidated net current liabilities [excluding the current portion of long-term debt].

[2] Funded debt is long-term debt, less cash and short-term deposits.

[3] Funded Debt to EBITDA (earnings before interest, taxes, depreciation and amortization) means the ratio of consolidated Funded Debt to the aggregated EBITDA for the trailing twelve-months. EBITDA is defined as the trailing twelve-months of EBITDA for the Company.

[4] Fixed Charge Coverage Ratio means, based on the trailing twelve-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility to the sum of the aggregate of scheduled long-term debt principal payments, interest and distributions/dividends.

[5] Distribution/dividend ratio means distributions/dividends for the trailing twelve-month period to the sum of funds generated from operations less scheduled long-term debt principal payments and maintenance capital expenditures.

Throughout 2010 and as at December 31, 2010 the Company was in compliance with all of these covenants.

There were no changes in the Company's approach to capital management during the year.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Fair values

The Company's financial instruments recognized on the consolidated balance sheet consist of cash and short-term deposits, accounts receivable, income taxes receivable, accounts payable, income taxes payable, distributions payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity. The carrying value of the long-term debt approximates fair value because each of the long-term facilities has a floating interest rate.

[b] Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A substantial portion of the Company's accounts receivable balance is with customers in the petroleum and utility industries and is subject to normal industry credit risks. The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor financial conditions of its customers and the industries in which they operate.

[c] Liquidity risk

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Company will not have sufficient Fund's to settle an obligation on the due date, will be forced to sell financial assets at a price which is less than what they are worth, or will be unable to settle or recover a financial asset.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

At December 31, 2010, the Company had available $2,587,159 of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on June 25, 2011 renewable at the Company's option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

[d] Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to interest rates and foreign currency exchange rates which are explained as follows:

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime to prime plus 0.75% for certain of its borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net earnings for the year ended December 31, 2010 would have been affected by approximately $252,000 if the average interest rate charged by one percent. The Company does not currently use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Foreign exchange risk

The Company has United States operations and Canadian operations which purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. The Company does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

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14. COMMITMENTS AND CONTINGENCIES

[a] Legal disputes

The Company is not involved in any legal disputes that would generate a material impact to the financial results of the Company.

[b] Operating leases

The Company has entered into operating leases for shop and office premises with future minimum annual lease payments for the next five years as follows:

	$
2011	793,000
2012	354,000
2013	260,000
2014	122,000
2015	—

[c] Purchase commitments

At December 31, 2010 the Company has commitments to purchase approximately $2,665,000 worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company was charged $239,566 [2009 - $273,326] for professional fees by a partnership in which a director of the Company is a partner. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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16. SUBSEQUENT EVENTS

Acquisition of Badger by Clean Harbors, Inc.

On January 26, 2011, Badger signed a definitive acquisition agreement (the "Acquisition Agreement") to be acquired by Clean Harbors, Inc. ["Clean Harbors"]. The acquisition is subject to the approval of not less than 66 2/3% of the votes cast by Badger shareholders and is also subject to regulatory and lender approvals. Under the terms of the Acquisition Agreement, Clean Harbors will acquire 100% of Badger's outstanding common shares for cash consideration of $20.50 per share. The acquisition is expected to be completed during the second quarter of 2011.

If the Acquisition Agreement is terminated under certain circumstances, because of a breach by Badger of the terms and conditions of the Acquisition Agreement, Badger could be required to pay a $4,500,000 termination fee plus reimbursement of certain Clean Harbors' expenses, not to exceed $1,500,000.

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