



2010 Annual Report



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Corporate Profile

The Bluewater Recycling Association, located in Huron Industrial Park in the Municipality of South Huron, near Exeter, provides a wide variety of reliable, dependable, and affordable resource management based products and services.

The Association is one of the largest multi-municipal resource management organizations in Canada, which provides integrated waste reduction and environmental services ranging from collection and processing to marketing superior quality products and services.

The 68 people employed by the Association handle over 29,000 tonnes of material yearly, which represents a substantial portion of the overall waste stream. Although the Association's fleet of 40 vehicles handles most of the material, the Association also handles contractor-collected material.

"Our mission is to provide ethical, innovative, effective, quality resource management services. We will carry out our mission efficiently, safely, and in an environmentally responsible manner, ultimately enabling our members to meet their environmental commitments."

The logo depicts the Association's acronym at the roots of a white oak tree strategically placed above our already known Bluewater wave. The white oak, native to the area, standing tall above the waters of Lake Huron is notorious for its stability and long life which the Association mirrors. The root system of the oak is as dispersed as the branches above, reflecting the Association's unique relationship between its owners and customers.



The roots of the oak tree flow into BRA, the acronym for the Bluewater Recycling Association, signifying that the Association is at the root of providing solutions to environmental issues. The letters are intertwined, representing the cooperative nature of the organization that involves more than 20 individual municipalities. The bold, stylish letters symbolize the strength, creativity, and proactiveness of the organization. The wave is representative of the blue water found on Lake Huron which most of our members have an opportunity to view regularly.

Each colour used in the logo also carries special significance for the Association. Green is synonymous with the environment in general. Blue is representative of the blue water of Lake Huron and is a colour that is widely associated with recycling. White is representative of the cleanliness and purity of the environment which we strive to achieve.

The Bluewater Recycling Association is much more than a recycling company, it is

"Your Environmental Alternative"

Highlights

Material Recovery Facility Fully Commissioned

The Association completed its material recovery facility commissioning process. The supplier, Machinex Industries, successfully demonstrated that the facility is capable of processing well over 10 tonnes per hour while meeting all the material quality specifications required.

As planned, the results demonstrated that we have been able to increase the quality of the material output despite nearly doubling the throughput of the facility and commingling all the materials using the latest technologies available to us. The new processing equipment works very well.

This is an important step in our long term strategy to facilitate the diversion of materials from our member municipalities' disposal facilities. We can now comfortably proceed with our conversion to automated one sort recycling from the current dual stream manual blue box collection program.

Bluewater Material Recovery Facility Running on 100% Biodiesel

In an effort to clean up the air in our Materials Recovery Facility (MRF) from the Diesel Particulate Matter (DPM), the Association has undertaken a bold initiative to convert to 100% Biodiesel inside the MRF. DPM are a known carcinogen and they are part of any regular diesel engine operation. One of the advantages to using biodiesel is the near elimination of any DPM.

Unlike traditional diesel, which is a petroleum-based fuel made from oil, biodiesel is a clean-burning, renewable energy source manufactured from vegetable oils and animal fats. Compared to diesel, biodiesel fuel lowers emissions of carbon monoxide, hydrocarbons and greenhouse gases. It contributes to the reduction of smog, acid rain and air pollution, and helps fight global warming.

Pure biodiesel has low aquatic toxicity and completely biodegrades in about 30 days. This substantially reduces the impact of accidental spills and makes it ideal for use in environmentally sensitive areas such as inland waterways. B100 (100% biodiesel) is one of the cleanest burning fuels available on the market today.





Goderich, Seaforth, Clinton Join St. Marys in Automated Collection Program

The Association has begun the conversion process to the new automated collection system. After the successful launch of the Town of St. Marys in October 2008 and the completion of the upgraded Material Recovery Facility late last year, the Association formally initiated talks with interested municipalities.

The Town of Goderich and the Seaforth Ward of Huron East began automated collection in June. Central Huron which includes Clinton followed suit in November.

The municipal election season cut short our implementation phase and our goal of distributing 24,000 wheelie bins in 2010.

Automated Collection Endorsed As Best Practice with \$1.1 Million Grant

The Continuous Improvement Fund (CIF) arm of Waste Diversion Ontario (WDO) has identified automated collection as a best practice in 2009 through its review of the Bluewater Recycling Association's conversion to a single stream program in St. Marys.

As a result, WDO has identified that providing large collection containers to residents is a best practice. As an incentive to encourage municipalities to embrace the new system, special funding has been made available to facilitate the change. The Association's proposal was approved resulting in funding for the wheelie bins of up to \$1.1 million.

Automated Benefits

1. Reduce Collection Cost

The new system is faster than manual collection. The additional capacity of the bins facilitates the reduction in collection frequency to biweekly resulting in a 10% cost savings. Furthermore, the residents no longer have to purchase a blue box for recycling.

2. Increase Recovery

Residents benefit with having bins that are up to six times the capacity of the blue box that facilitates and encourages more recycling while discouraging scavengers from retrieving valuable materials.

3. More Convenient

The wheelie bins are collected on both sides of the street. This means no more "neighbourly" trash. The fixed wheels make hauling them to the curb a lot less work and the residents only have to do it half as often.

4. Cleaner Environment

Using wheelie bins can improve neighborhood aesthetics as the uniform containers often eliminate unsightly set-outs. Blowing litter can be reduced because containers with lids are more resistant to being tipped over or torn apart by dogs, raccoons, crows, etc. The wheelie bins have lids that can help control odour and pests concerns associated with keeping residential solid waste for longer periods of time.

5. Improved Health and Safety

Solid waste collection work can be unpleasant, backbreaking labour, often in extreme weather conditions, with plenty of offensive odours. The automated collection program reduces the risk of work-related injuries for our people and improves work conditions.

Expanding Materials Acceptable in Recycling Program

In recent years, we have received requests from residents to expand our recycling program to accept more materials. Mixed rigid plastics have been an ongoing challenge, primarily because of the diverse nature of the mixed rigid plastics. Because of the complexity of the materials, markets have been limited, unreliable, or overseas. As such, the material has always failed our criteria to be added to the recycling program.

We are proud to work with a local market for which we have had the pleasure to work with for the last 20 years. Through extreme research and development, they have developed a process to recover this mixed plastic and put it to good use. While the technology is still experimental and requirements are subject to change, our confidence in them means that we were willing to relax our criteria and expand our program to everyone's benefit.

In October 2010 we began accepting most plastic packaging generated in the home. The following types and designations of materials can now be included in the recycling bin.

- Most household post-consumer rigid (i.e. no foam) plastic container or bottle designated 1-7.
- This includes thermoforms, packaging, cups, trays, clamshells, food tubs/lids and all household bottle and non-bottle containers.

Unfortunately, there are still some exceptions:

- No foam containers or any kind
- No containers or materials previously used for hazardous materials (paint, petroleum products, pesticide, herbicide, medical, etc)
- No pails or buckets exceeding a twenty (20) litre capacity.
- No biological containers such as plant trays or pots.
- No other plastic items such as toys, tools, lawn furniture, etc.
- No construction materials such as pipe, hose, tubing, siding, foam insulation, etc.



Association Expanded E-Waste Program on April 1

In less than a year the Association recycled over a quarter of a million pounds of electronic waste that would otherwise have been improperly disposed. The successful electronic waste program was expanded beyond computers and televisions effective April 1. The new expanded program includes the following items:



Previous List	Additional Items
Desktop computers	Computer peripherals will include modems
Portable computers	Printing devices will include copiers, scanners, typewriters.
Computer peripherals	Telephones (physical and accessories)
Monitors	Cellular phones
Televisions	PDA's and pagers
Printing devices	Audio and video players
	Cameras
	Equalizers, (pre)amplifiers
	Radios
	Receivers
	Speakers
	Tuners
	Turntable
	Video players/projectors
	Video recorders
	Personal hand held computers

The Association also held some special collection events for electronic waste during the two weekends shouldering waste reduction week. The same wide variety of electronic waste accepted by the Association at its permanent depot in Huron Park was accepted during those events. Events were held in Listowel, Clinton, Huron Park, Forest, Parkhill, Lucan, Strathroy, Ilderton, Delaware, and Oil Springs.

The event was relatively successful in recovering over 65,000 lbs of electronic waste ranging from old televisions to radios, cell phones, computers, telephones, fax machines, and all sorts of unique electronics.

Nearly half a million pounds of electronic waste have been recovered to date.

Newsletter Hit the Street in Time for Waste Reduction Week

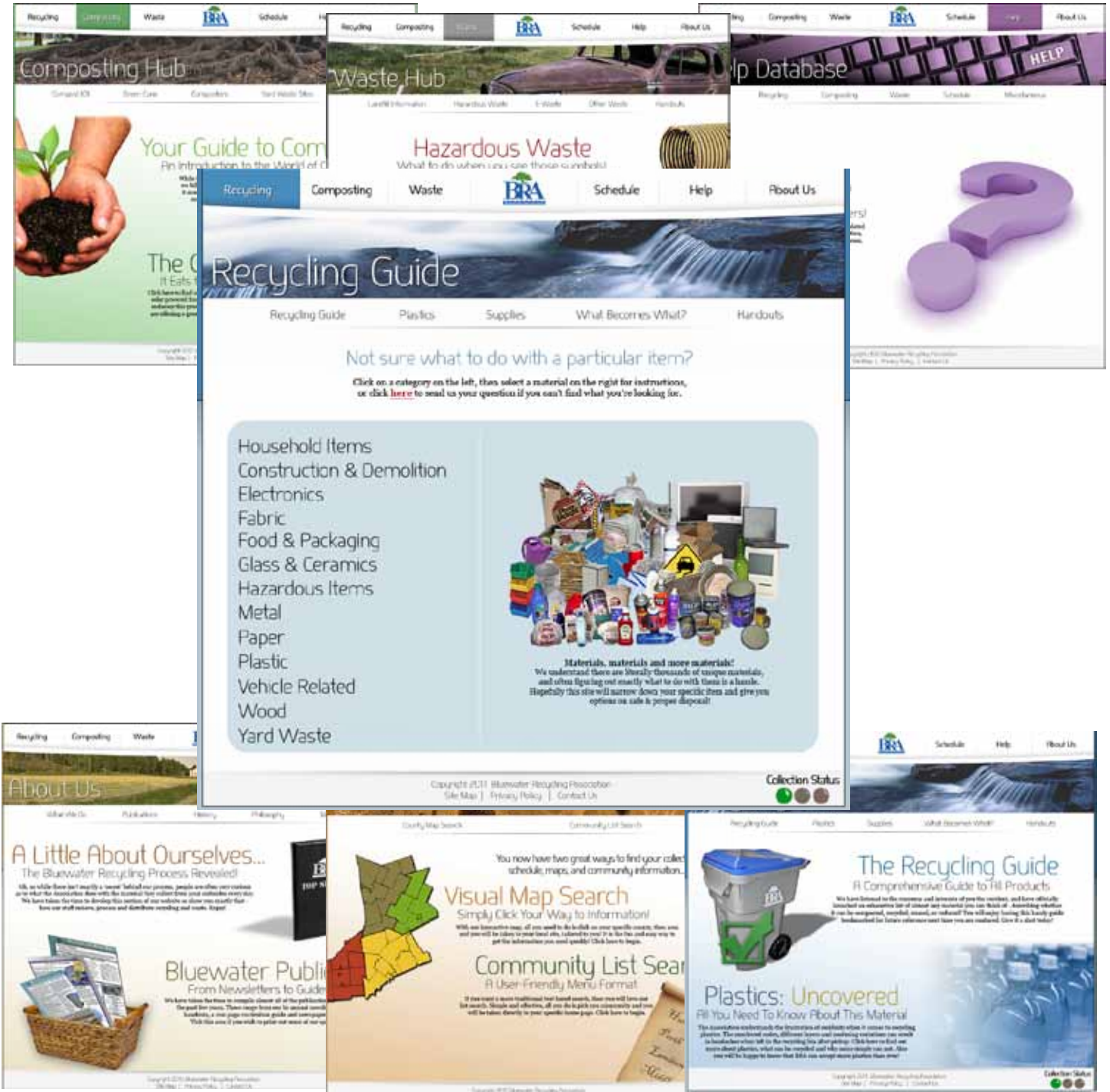
The latest newsletter was distributed in time to announce the special E-Waste collection events shouldering waste reduction week this year. The big news maker however was our announcement of the significant improvement in acceptable materials in the recycling program by adding mixed plastics. We have already seen significant volumes coming into the material recovery facility.



New Web Site Launched

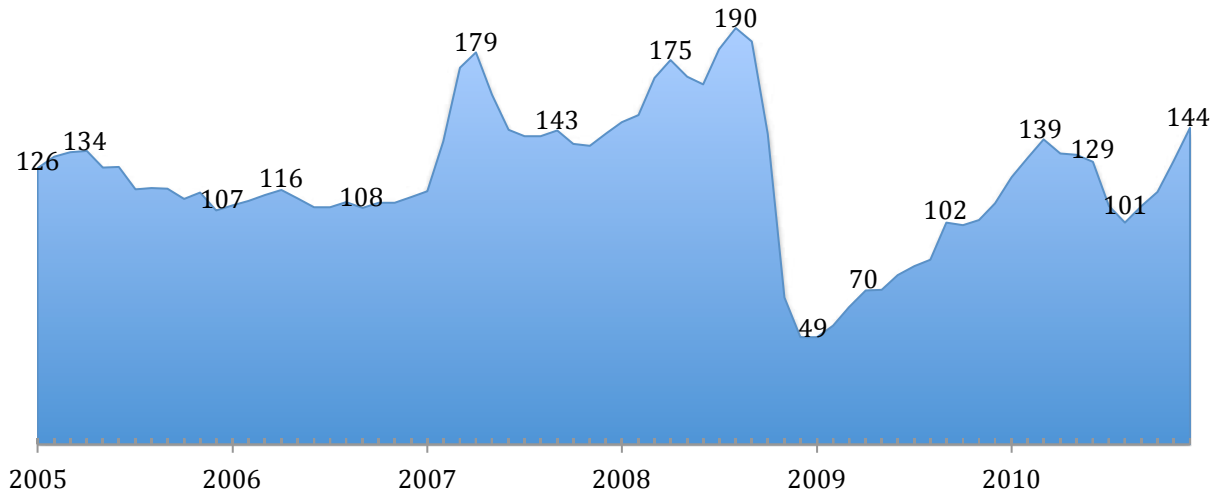
Our refreshed website was launched. The new site is easier to navigate with beautiful graphics. The new site is cleaner, simpler, with more interaction with the homeowners. One of the most significant new features is the materials recycling guide that provides residents clear waste management instructions for over 250 materials. In all, residents have access to over 1,500 pages of relevant local waste management information.

The site can be seen at www.bra.org



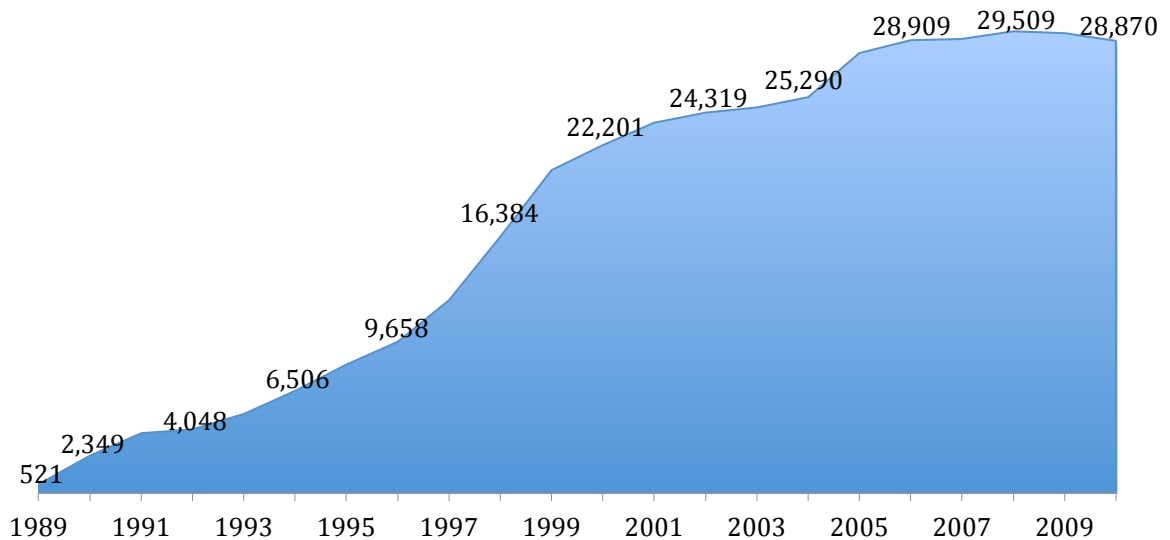
Market Assessment

The beginning of 2010 saw the continuous market recovery that began in 2009 after the million dollar crash of 2008. Markets were up but they did not have a lot of support which meant that prices for different commodities were often rising only to see a drop the following month. In the end, it was a good year, albeit very edgy.



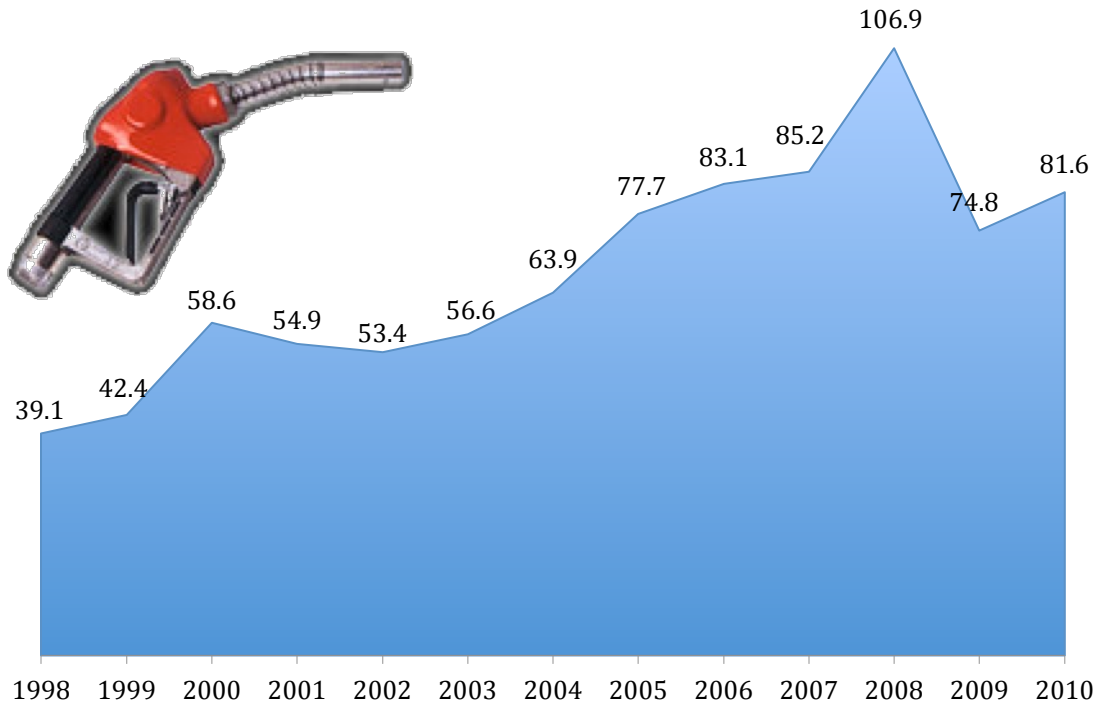
Tonnes Managed

The tonnes managed by the Association were down slightly in 2010 which was consistent with the soft economy.



Fuel Prices

The fuel prices play an important role in our operations. As a result of the economic recovery, diesel prices were on the rise in 2010. In comparison to paying over \$1.30 per litre at times in 2008 with an average of nearly \$1.07 per litre we were pleased to pay approximately 82¢ per litre in 2010. The Association has never charged a fuel surcharge on its residential services and we sincerely hope to maintain that but as prices appear to be poised to pierce through the \$1.00 mark in 2011, it remains a possibility.



Quarterly WDO Rebates Resumes

The Association resumed the distribution of WDO funding on a quarterly basis in 2010. The distribution was halted in 2009 when commodities collapsed resulting in a \$1 million revenue shortfall. While the commodities have rebounded in recent months, the economy is somewhat fragile and markets not as stable as they could be. 50% was distributed in 2010 and 75% will be distributed in 2011, returning to 100% in 2012.

Christmas Tree Recycling

Over 662 trees were chipped during the 2010 holiday season from 12 communities. This brings the total to over 18,000 trees since the Association began offering the program in 1997.

Regulatory Update

Provincial Government Fumble Major Environmental Initiative

The most significant change in regulation is the one that did not happen in 2010. The Ontario government has capitulated to lobby pressure from regulated industry and postponed, possibly permanently, one of the most important pieces of constructive environmental legislation in a generation. The legislation would have revised the Ontario's Waste Diversion Act, and was supposed to be introduced in June 2010 in the legislature. The legislation was crafted by then Environment Minister John Gerretsen and his staff. The revised Waste Diversion Act was needed because:

1. Currently, municipal ratepayers fund 50 per cent of the net costs of the blue box recycling program. This is a subsidy to industry that makes no sense anymore and gives industry very little incentive to redesign or eliminate its waste packaging, and to design products for ease of recycling at the end of their useful lives. Minister Gerretsen and his staff – after extensive public consultations – has read the public's mind and knows the public “gets it” that it's time to get waste diversion off the tax base and make producers responsible for the materials they send into the marketplace.
2. For once all the right stars were in alignment to move forward with much-needed change. The Association of Municipalities of Ontario (AMO) was in agreement with the various waste and recycling associations on matters that were negotiated over a period of years! Imagine, the Ontario Waste Management Association (OWMA) – that represents the private waste industry, including landfill owners – agreed that a surcharge should be applied to waste sent to landfill (to encourage waste diversion).
3. Product stewardship and extended producer responsibility (EPR) are sweeping across the continent and Europe. Ontario has started to position itself as a leader in this area, and was about to introduce legislation that would have made it the talked-about role model across Canada and the United States. The province was poised to steal the crown from places like British Columbia... and then, nothing. Ironically, companies have started to figure out that clean production and eco-efficiency are the way to go. Industry just needs a nudge from policymakers to embrace the cradle-to-cradle way of producing and distributing goods, which is also good for new technology and green industry jobs. With the postponement or cancellation of this legislation, the winners are the smokestack industries that want to continue business as usual and the companies that want to produce goods in China and import them here in packaging made from hundreds of different kinds of materials, many non-recyclable.
4. Bringing further producer responsibility to the economy and revising and strengthening the Waste Diversion Act fits with the “polluter pays” principle and is the very opposite of raising taxes; it's a tax cut. The Liberals could literally campaign on having cut everyone's taxes by moving hundreds of millions of dollars off of municipal balance sheets and into the more efficient private sector. Ironically, the original Waste Diversion Act was introduced by the provincial Conservative party so it would be hard-pressed to oppose the Act or improvements to it.

Ontario Kills Eco Fees on Some Hazardous Waste

Instead of being leaders in EPR, we instead took a step back by reversing the MHSW program and demoting the only minister with a vision. The Province ended its controversial "eco fee" program for some household hazardous materials.

Beginning July 1st of 2010, many difficult-to-recycle household items, like aerosol containers, cleaners, or flammables, were assessed a fee ranging from a penny to few dollars. The program was administered by Stewardship Ontario, a non-profit industry trade group. However, due to poor communication as to what the eco fees were, a public backlash quickly materialized. To make matters worse, reports circulated that some retailers were overcharging or charging fees inconsistently, and the government floundered in explaining them.

Not even a month after the fees were launched, the province demoted the environment minister and announced it would shelve the fees until it could come up with a better idea.

The government made an announcement that phases 2 and 3 of the Municipal Hazardous and Special Waste (MHSW) program which started July 1, 2010 have ended, including the consumer fees that were being charged to pay for that program.

The Phase 1 materials, which constitute approximately 74% of all designated MHSW materials continue to be managed and paid for by the stewards of those products. The first phase, which existed prior to July 1 will stay in place, was instituted two years ago, and covered nine items like single-use batteries, paints, oil containers, pressurized containers and fertilizers.

Ontario Electronic Stewardship sets fees for electrical and electronic equipment, while Ontario Tire Stewardship levies fees on tires. Both of these programs are outside the jurisdiction of the eco fees program and were not being affected.

The province began to provide funding to municipalities to properly manage, recycle and dispose of Phase 2 materials such as fire extinguishers, rechargeable batteries, compact fluorescent light bulbs, needles, mercury-containing devices and pharmaceuticals.

Costs to manage the Phase 3 of the program are returned to municipalities to be covered by the municipal property tax. Phase 3 materials constitute a minor portion of the overall MHSW material composition as noted below. This means that municipal property taxpayers will pay the costs of managing household hazardous waste rather than either the manufacturer or the individual consumer.

Collection and management of Phases 2 and 3 is now left entirely to municipalities. Without other channels to collect hazardous waste, such as retail outlets, there will likely be less material collected and more pressure on municipal waste management services.

Composition of Phase 3 MHSW materials:

Adhesives, contact cements, glues, epoxies; some automotive additives; waxes; caulking; fiberglass resins; lighter/starter fluids; paint/furniture strippers; tar/under coatings/driveway sealers; windshield washer fluids; fuels; waterproofing solutions; automotive paint, high heat paint; cosmetic removers; some photo-chemicals

John Wilkinson, MPP Perth – Wellington, Minister of the Environment, Ontario

John Wilkinson succeeded John Gerretsen after the MHSW eco fee fiasco. He was first elected to the Ontario legislature in 2003 as the MPP for Perth- Middlesex. He was re-elected in 2007 as the MPP for Perth-Wellington.

He was appointed Minister of the Environment in August 2010 after serving as Minister of Revenue since June 2009. Wilkinson previously served as Minister of Research and Innovation. He also served as the Parliamentary Assistant to Premier Dalton McGuinty and as the Parliamentary Assistant to the Minister of the Environment. He was also appointed by the Minister of Finance to serve as the vice chair of the Municipal Property Assessment Corporation.

Wilkinson is the first Certified Financial Planner elected to the Ontario legislature. Before entering politics he founded Wilkinson & Keller Financial Planning Ltd. of Stratford, a successful small business.

Ontario Gives Go Ahead For Durham/York Energy-From-Waste Facility

The Ontario Ministry of the Environment (MOE) has conditionally approved the construction of an energy-from-waste (EFW) facility to process waste from the Regions of Durham and York.

The EFW facility will be capable of processing post-diversion residual waste -- the waste that remains after composting and recycling -- recovering materials and energy, and will be sized to meet the Regions' residual waste processing needs.

Construction of the facility, to be located in Courtice, will begin in 2011, with a target operation date of 2014.

The facility will use a thermal mass burn technology, which means that municipal solid waste is fed into a furnace where it is burned at very high temperatures.

The waste arriving at the EFW facility will have minimal metal content, due to the various curbside and waste management facility diversion programs offered by the Regions. In addition, any residual metals will be removed from the ash for recycling.

Air emissions will be subject to some of the most stringent levels in North America and the A-7 guideline, which will be administered by the MOE. Guideline A-7: Air Pollution Control, Design and Operation Guidelines for Municipal Waste Thermal Treatment Facilities details the MOE's limits for air emissions from thermal treatment facilities in Ontario.

The EFW process also includes production of high-pressure steam, which is fed through a turbine generator that produces electricity and/or hot water energy that can be used for district heating in the future. This process can heat up to 2,200 homes.

Durham and York Regional Councils approved Covanta Energy Corporation as the preferred vendor in spring 2009, after putting out a request for proposals (RFP) to five pre-qualified vendors who had passed the Request for Qualifications process.

Covanta Energy is an experienced operator in the EFW field and is the largest provider of EFW services in North America.

OES Made Changes to WEEE Collection in Ontario

OES eliminated the OES controlled consolidation and quota system, allowing WEEE processors to competitively service Approved Collectors and Registered Generators in order to create incentives that will encourage Approved Primary Processors to source more WEEE.

The revision to the allocation process is largely in response to the poor WEEE diversion performance of the OES program.

In early 2010, Waste Diversion Ontario (WDO) served OES with a notice of breach of agreement for failing to comply with the WEEE Diversion program (i.e. diversion targets) as approved by Ontario Environment Minister John Gerretsen.

OES itself recognizes that its program is not meeting its diversion targets noting in its December 2009 discussion paper regarding stewards' fees that, "OES Phase 1 WEEE collection tonnage is tracking substantially lower than projected in the Revised WEEE Program Plan. This is largely due to the fact that OES is actively competing for WEEE with a group of companies that have chosen not to participate in the OES program. As a result, non participating collection organizations are handling some of the volumes that OES had anticipated would flow through the OES system."

Ontario's First Non-IFO Based Industry Stewardship Plan Receives Approval

The Heating, Refrigeration and Air Conditioning Institute (HRAI) of Canada received approval of its Industry Stewardship Plan (ISP) for mercury-containing thermostats from Waste Diversion Ontario (WDO) on March 24th 2010.



This approval marked the first time that an industry group has sought to discharge its environmental responsibilities outside of an established Industry Funding Organization (IFO). In this case, the Municipal Household and Special Waste (MSHW) IFO as operated by Stewardship Ontario on behalf of MHSW stewards.

HRAI's objective is to divert all recovered older mercury-containing thermostats from disposal (primarily recovered as they are replaced with energy-efficient programmable thermostats). The ISP expands upon the existing Switch the 'Stat program, which operates in Ontario with more than 1,300 participating HVAC contractors and wholesalers to include additional collection channels such as return-to-retail and send-back options to increase the accessibility and collection options.

Mercury-containing thermostats have internal mercury switches (mercury in a sealed glass bulb) that control the flow of electrical current with each thermostat containing an average of 3.5 grams of mercury. Major thermostat manufacturers no longer sell mercury thermostats.

Approvals Modernization

The Ontario government intends to introduce legislation that, if passed, would enable the implementation of a modernized environmental approvals system in Ontario.

The Ministry of the Environment (the “Ministry”) expects to begin introducing changes to the environmental approvals system by September 2012. To achieve this goal, the Ministry is examining practices in leading jurisdictions. The Ministry will also be consulting with a variety of stakeholders, including the business community, Aboriginal communities and environmental Non-Governmental Organizations to help inform development of the new process.

With the goals for modernization and with a detailed examination of the best practices in other jurisdictions, the Ministry is proposing a framework that outlines an approach to how the environmental approvals system in Ontario could be modernized.

The proposed new approvals model would incorporate the following key components to integrate best practices:

1. Introducing a new, simplified process for activities that could be categorized as either “lower-risk”, “less-complex” or that have standard requirements, while continuing to be protective of the environment and human health
2. Focusing resources on the facilities and activities that are truly unique, complex or pose a potential risk to the environment and human health
3. Providing service delivery standards and online tools to support government-to-business interaction for approvals related processes
4. Improving public transparency through improved reporting and an online public information website to access approvals related information

The proposed new approvals system would have the following two paths:

1. Registry Process: In this process, selected activities would be registered with the Ministry providing that they meet specified eligibility requirements. The facility registering the activity would be required to operate according to rules established in regulation. These rules would be protective of the environment and human health and compliance with these rules would be subject to audit by the Ministry.
2. Certificate of Approval Process: In this process, applications for those activities not in the Registry would be made to the Ministry. This would lead to a decision by the Ministry based on the detailed technical review of documentation submitted by the applicant and public input. It may result in the issuance of a single, site-wide approval or a single, multi-site/system-wide approval. The approval may incorporate flexibility, while maintaining appropriate and effective environmental requirements.

For both the Registry and Certificate of Approval processes, it is proposed that submissions will be made electronically to the Ministry. Businesses will use a one-window, online system to access their account. Through this online system, it is proposed that a business will be able to submit information, track status and remit fees related to their registrations or Certificate of Approval applications.

MOE Releases Toxics Reduction Regulation - Tracking And Reporting

Beginning January 1, 2010, regulated facilities are required to track, report and develop plans to reduce the toxic substances they use, create and release. This applies only to facilities currently reporting on emissions to the National Pollutant Release Inventory (NPRI).

These toxics reduction plans will be available to the public as part of the government's commitment to inform Ontarians about toxics. The implementation of the plans will be voluntary.

Ontario has also committed funding to help facilities meet the requirements of the Toxics Reduction Act. The government held province-wide information sessions to explain the new requirements, and provided information guides to help facilities meet the requirements and consulted on an enhanced toxics reduction planning process that builds on the expertise and experience found in the workplace.

The regulation under Ontario's Toxics Reduction Act, 2009 sets out the requirements that owners and operators of facilities covered by the act must meet beginning January 1, 2010 to:

- Track and quantify the toxic substances they use, create and release
- Develop plans, including options to reduce their use of toxic substances
- Make summaries of their plans available to the public
- Report to the ministry on their progress in reducing toxic substances and make certain information available to the public.

The regulation adds a new approach to environmental protection by focusing on reducing the use and creation of toxic substances at the front end of industrial processes. The act applies to facilities in the manufacturing and mineral processing sectors (excluding physical extraction, crushing or grinding) that are required to report to the National Pollutant Release Inventory (NPRI) and to the MOE under O.Reg. 127/01 for acetone.

The first report on the priority toxic substances from regulated facilities will be due by June 1, 2011 for the calendar year 2010. Once the first reports are prepared, facilities will develop their toxic substance reduction plans by December 31, 2011. The act requires the plan to be certified by the highest ranking employee at the facility with management responsibilities relating to the facility. Summaries of the plans will be made available to the public.

Information collected from facilities through the reporting requirements of the act will be made available to the public so that Ontarians can be aware of toxic substances being used and created around them, as well as the actions facilities are taking to reduce them.

While accounting, planning and reporting for prescribed toxic substances is mandatory, implementation of the toxic substance reduction plans is voluntary.

New Organics Guidelines

The Ministry updated the Interim Guidelines for the Protection and Use of Aerobic Compost in Ontario (2004) to include the most up-to-date best management practices and standards. It included guidance for facility siting, design, equipment use and operation procedures including feedstock control and odour prevention. Most importantly, it included the following three new compost categories:

Category AA – Ontario’s current compost standard, which is the highest quality compost product, and the strictest standard in Canada.

Category A – Category A would be the same as AA in almost all regards, except it allows slightly elevated levels of zinc and copper in the finished compost and allows biosolids that meet the feedstock metal standards to be used as feedstock.

Category B – Category B allows higher levels of metal in the finished compost than Category A, and also allows biosolids that meet the feedstock metal standards to be used as feedstock.

The Ministry amended Regulation 347 under the environmental Protection Act to establish an exemption from the definition of “waste” for Category AA materials and for Category A material provided it meets quality standards and labeling requirements.

A number of complimentary amendments were also made to Regulation 267/03 related to “non-agricultural source material” and “agricultural source material”.

Commercial Vehicle Impoundment Approved

Bill 126, The Road Safety Act, 2009, received Royal Assent on April 23, 2009 and introduces a stricter penalty for driving while under specific Highway Traffic Act (HTA) license suspensions. This change will allow police to impound for seven days the vehicles of motorists caught driving while under certain HTA license suspensions, including non-payment of family support.

Experience with current impoundments has provided anecdotal evidence of additional hardships when applied to a commercial vehicle versus a passenger car because the driver is usually not the owner of the vehicle.

The Ministry introduced an alternative program to the new seven-day impoundments for commercial vehicles that contains the following key elements:

- All commercial vehicles would be allowed to complete the trip with a properly licensed driver.
Carriers would have 48 hours to produce evidence of a quarterly license record check to law enforcement to avoid any impoundment.
- If after 48 hours, the required evidence is not provided to police, MTO would be notified by police, and the carrier would be required to “self-impound” the commercial vehicle at their facility for seven days.
- Upon notification, MTO would suspend the plate and vehicle identification number for seven days.
- Ontario carriers will continue to be required to demonstrate annual driver license check under CVOR requirements.

Property, Plant and Equipment

As of December 31, 2010, the Association owned two facilities totally approximately 90,000 ft² and its associated parcels of real estate property used in its operations. The Association owns its corporate headquarters, which also serves as the Material Recovery Facility in Huron Park, Ontario. The second facility is the Association's main repair shop for the fleet, which is located next door to our Material Recovery Facility.

As of December 31, 2010, the Association utilized approximately 40 waste collection vehicles and other support vehicles, all of which are owned. Two-thirds of our vehicles are highly specialized co-collection vehicles designed by the Association to collect waste and recyclables at the same time.

While the Association is proud of its past developments in the Material Recovery Facility, the future of our industry demands higher throughput and a quality standard with a broader mix of materials. As such, the Association upgraded its Material Recovery Facility in 2009.

The new Material Recovery Facility is able to process single stream materials, which enables us to facilitate changes in our collection procedure and technology used to collect materials. The collection conversion began in 2008 with one vehicle. Most of the fleet will be replaced over the next four years.

Employees



As of December 31, 2010, the Association employed approximately 68 full-time employees, including 4 persons classified as professionals or managers, 45 employees involved in collection, 16 in the material recovery operations, and 3 clerical, data processing or other administrative employees.

The Teamsters union with which the Association has a collective bargaining agreement expiring December 1, 2011 represents approximately 49 employees at the Association's operating facilities. The Association typically negotiates a three to four year collective bargaining agreement in the last year of any current agreement. The Association is not aware of any other organizational efforts among its employees and believes that relations with its employees are very good.



Operations

As of December 31, 2010, the Association served approximately 74,000 customers, comprised of 71,000 residential clients and 3,000 commercial clients. The following table sets forth certain information regarding the Association's revenues by category of activity for the last three years.

Bluewater Recycling Association Revenue Summary			
	2010	2009	2008
Residential Collection	\$6,403,593	\$6,883,119	\$6,139,326
Material Sales	1,600,831	826,175	1,850,960
Processing & Disposal	221,988	225,841	217,235
Commercial Collection	612,620	569,313	571,574
Other	130,492	154,786	177,151
TOTAL	\$8,969,524	\$8,659,234	\$8,968,246

Residential Collection Services

The Association's long-term solid waste collection contracts with municipalities typically contain a formula, generally based on a pre-determined published price index, for automatic adjustment to fees to cover increases in some, but not all, operating costs plus a pass-through of any disposal cost increases. Under the terms of each of these agreements, the Association has exclusive rights to provide certain services to the community. Most of these agreements were bid on a competitive basis, and rates for all services are set forth in the agreement.

Fees for recycling collection services are based primarily on a joint cooperative agreement reviewed annually while fees for residential solid waste collection services are based primarily on route density, the frequency and level of service, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged in the Association's markets for similar services.

Processing and Disposal

The Association offers municipal, commercial and industrial customers services for a variety of recyclable materials, including newspaper, mixed paper, cardboard, office paper, plastic containers, glass bottles, and ferrous and aluminum metals. The Association owns and operates a Material Recovery Facility (MRF) in Huron Park, Ontario. The Association believes that recycling will continue to be an important component of local solid waste management plans due to the public's increasing environmental awareness and regulations that mandate or encourage recycling.

The Association disposes of the waste it collects in one of two ways:

- at municipally owned landfills; or
- at privately owned third party landfills.

The Association seeks to secure favourable long-term disposal arrangements with municipalities or private owners of landfills. The Association's ability to maintain competitive prices for its commercial waste collection services is generally dependent upon its ability to secure favourable disposal pricing.

Commercial Collection

The Association's commercial collection services are performed principally under service agreements. Fees are determined by a variety of factors, including collection frequency, level of service, route density, the type, volume and weight of the waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged by competitors for similar services. Commercial collection vehicles normally require one operator. The Association provides 2 to 40 cubic yard containers to commercial customers. This area, while secondary to the Association's mandate, remains the fastest growing segment of our business because of the lack of serious competition in the immediate area.

Commodity Sales

The Association sells all materials recovered through its operation of the Material Recovery Facility in Huron Park. The sale of those materials is subject to fluctuations in market prices affected by current global events and by the volume of materials that flows through the facility from our own collection operations and that of other collectors. The market prices during 2010 averaged \$124 per tonne which was a substantial improvement over the previous year at \$80 per tonne.

Sales and Marketing

The Association has a diverse customer base, with no single contract or customer accounting for more than 10% of revenues during the year ended December 31, 2010.

Management's Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report in accordance with the Financial Administration Act and Regulations. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgment.

Management has developed and maintains books of account, records, financial and management control, and information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, with the Financial Administration Act and Regulations as well as the by-laws of the Corporation.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets monthly to oversee the financial activities of the Corporation, and to review the financial statements and the auditors' annual report.

The Corporation's external auditors, Pinder, Taylor, McNeilly, Godkin Licensed Public Accountants examine the financial statements and report to the membership.

Auditor's Report

To the Members of the
Bluewater Recycling Association

We have audited the accompanying financial statements of Bluewater Recycling Association which comprise the balance sheet as at December 31, 2010 and the statements of fund operations and changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Bluewater Recycling Association as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

March 17, 2011
Exeter, Ontario

Pinder, Taylor, McNeilly, Godkin LLP
Licensed Public Accountants

Statement of Financial Position

Year ended December 31	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Total 2010	Total 2009
ASSETS					
Current Assets					
Cash	\$ 863,848	\$ -	\$ -	\$ 863,848	\$ 262,733
Accounts Receivable	902,517	-	-	902,517	935,825
Grants receivable (Note 7)	250,000	-	-	250,000	1,000,000
Inventory (Note 3)	119,855	-	-	119,855	122,213
Prepaid expenses & deposits	163,321	-	-	163,321	55,141
	<u>2,299,541</u>	<u>-</u>	<u>-</u>	<u>2,299,541</u>	<u>2,375,912</u>
Capital Assets (Note 4)	-	7,023,750	-	7,023,750	6,766,147
	-	<u>7,023,750</u>	-	<u>7,023,750</u>	<u>6,766,147</u>
	\$ 2,299,541	\$ 7,023,750	\$ -	\$ 9,323,291	\$ 9,142,059
LIABILITIES					
Current Liabilities					
Accounts Payable and accrued charges	\$ 699,275	\$ -	\$ -	\$ 699,275	\$ 1,230,450
Interfund loans (advances)	1,600,266	-	(1,600,266)	-	-
Current portion of long term debt (Note 5)	-	1,360,012	-	1,360,012	744,465
Current portion of obligation under capital lease (Note 6)	-	110,678	-	110,678	34,201
	<u>2,299,541</u>	<u>1,470,690</u>	<u>(1,600,266)</u>	<u>2,169,965</u>	<u>2,009,116</u>
Long Term Debt (Note 5)	-	2,092,749	-	2,092,749	2,779,088
Obligation under capital lease (Note 6)	-	274,071	-	274,071	44,451
	<u>2,299,541</u>	<u>3,837,510</u>	<u>(1,600,266)</u>	<u>4,536,785</u>	<u>4,832,655</u>
Commitments (Note 8)					
FUND BALANCES					
Invested in capital assets	\$ -	\$ 3,186,240	\$ -	\$ 3,186,240	\$ 3,163,942
Internally restricted	-	-	1,600,266	1,600,266	1,145,462
	-	<u>3,186,240</u>	<u>1,600,266</u>	<u>4,786,506</u>	<u>4,309,404</u>
	\$ 2,299,541	\$ 7,023,750	\$ -	\$ 9,323,291	\$ 9,142,059

On Behalf of the Board:

Chairman

President

See accompanying notes to the financial statements.

Statement of Fund Operations and Changes in Fund Balances

Year ended December 31	Operating Fund		Capital	Restricted Funds		Total	Total
	2010	2009	Asset 2010	Capital Reserve 2010	Total 2010	2010	2009
Revenue							
Municipal levies	\$ 5,106,597	\$ 5,574,682	\$ -	\$ -	\$ -	\$ -	\$ -
Recyclable products	1,600,831	826,175	-	-	-	-	-
Operating grants	1,296,996	1,308,437	-	-	-	-	-
Front End	612,620	569,313	-	-	-	-	-
Other Income	277,160	319,784	-	-	-	-	766
Composters and collection supplies	75,320	60,843	-	-	-	-	-
	8,969,524	8,659,234	-	-	-	-	766
Expenses							
Cost of Sales - Recyclables & Freight	84,521	193,610	-	-	-	-	-
Cost of Sales Composters and Collection	73,865	73,396	-	-	-	-	-
Disposal Fees	372,770	376,741	-	-	-	-	-
Administrative Expenses (Schedule)	759,646	723,362	-	-	-	-	-
Collection Expenses (Schedule)	4,098,529	4,149,385	-	-	-	-	-
Processing Expenses (Schedule)	1,363,859	1,281,186	-	-	-	-	-
Front End Expenses (Schedule)	374,931	346,589	-	-	-	-	-
Interest on long term debt	-	-	157,866	-	157,866	157,866	115,643
Amortization of capital assets	-	-	1,216,435	-	1,216,435	1,216,435	1,171,917
Gain on disposal of capital assets	-	-	(10,000)	-	(10,000)	(10,000)	57,093
	7,128,121	7,144,269	1,364,301	-	1,364,301	1,364,301	1,344,653
Excess (Deficiency) of Revenue Over Expenses	1,841,403	1,514,965	(1,364,301)		(1,364,301)	(1,364,301)	(1,343,887)
Fund Balance, Beginning of Year	-	-	3,163,942	1,145,462	4,309,404	4,309,404	4,138,326
Interfund transfers	(1,841,403)	(1,514,965)	1,386,599	454,804	1,841,403	1,841,403	1,514,965
Fund Balance, End of Year	\$ -	\$ -	\$ 3,186,240	\$ 1,600,266	\$ 4,786,506	\$ 4,309,404	

See accompanying notes to the financial statements

Statement of Cash Flow

Year ended December 31	2010	2009
Cash Provided by (Used in)		
Operating Activities		
Excess (Deficiency) of revenue over expenses		
Operating Fund	\$ 1,841,403	\$ 1,514,965
Capital Asset Fund	(1,364,301)	(1,344,653)
Capital Reserve Fund	-	766
	<u>477,102</u>	<u>171,078</u>
Items not involving a cash payment		
Amortization	1,216,435	1,171,917
Loss on disposal of capital assets	(10,000)	57,093
	<u>1,683,537</u>	<u>1,400,088</u>
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivable	33,308	263,746
Decrease (Increase) in grants receivable	750,000	(1,000,000)
Decrease in inventory and prepaid expenses	(105,822)	73,441
Increase in accounts payable and accrued charges	(531,175)	501,340
	<u>1,829,848</u>	<u>711,123</u>
Financing Activities		
Additional long term debt	756,567	1,571,160
Repayment of long term debt	(827,357)	(793,753)
Additional capital leases	369,936	83,300
Repayment of obligations under capital leases	(63,841)	(32,675)
	<u>235,305</u>	<u>828,032</u>
Investing Activities		
Purchase of capital assets (Note 4)	(1,104,102)	(3,035,787)
Purchase of assets under capital lease	(369,936)	(83,300)
Proceeds on disposal of capital assets	10,000	171,477
	<u>(1,464,038)</u>	<u>(2,947,610)</u>
Net Increase (Decrease) in cash	601,115	(1,408,455)
Cash, Beginning of Year	262,733	1,671,188
Cash, End of Year	<u>\$ 863,848</u>	<u>\$ 262,733</u>

See accompanying notes to the financial statements

Notes to the Financial Statements (December 31, 2010)

1. Purpose Of The Organization

The Bluewater Recycling Association is a multi-municipal resource management organization providing integrated waste reduction and environmental services including the collection, processing and marketing of resource based products and services.

The corporation is a non-profit organization incorporated without share capital under the Laws of Ontario and is exempt from income taxes.

2. Summary Of Significant Accounting Policies

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative costs. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets.

The Capital Reserve Fund reports the assets, liabilities, revenues and expenses related to the organization's capital asset replacements. The annual Operating Fund surplus or deficit is transferred to this fund. Amounts are transferred from this fund to the Capital Asset Fund as funds are required to purchase capital assets.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue during the course of the year as the budgeted amounts are invoiced. Revenue from recyclable products is recognized when the commodities are shipped. Revenue from services is recognized as the related services are performed.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

Capital Assets and Amortization:

Capital assets are capitalized for financial statement purposes in the year of acquisition. The cost of repairs and maintenance of a routine nature are charged to operations while those expenditures that improve or extend the useful life of the assets are capitalized.

The corporation provides for amortization on its capital assets using the straight-line method at rates set out below, based upon management's estimates of the useful life of the respective assets.

Buildings	5%
Collection Supplies	10% - 20%
Office furniture and equipment	10% - 30%
Processing machinery and equipment	10% and 20%
Automotive equipment	10% and 30%

Capital Leases

Capital leases which transfer substantially all of the benefits and inherent risks related to ownership of the property leased to the organization are capitalized by recording as assets and liabilities the present value of the payments under leases. The property leased and recorded in this way is amortized over its useful life. Rental payments are recorded partly against the amount of the obligation and partly as interest.

Pension Agreement

The Association participates in the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay.

The amount contributed to OMERS for 2010 was \$165,341 (2009 \$149,525) for current service. These payments are included as expenditure in the financial statements. OMERS sets the pension contribution rate annually to ensure that the plan remains fully funded. The pension contribution rate for 2010 was 6.4% of regular wages.

Foreign Currency Transactions

Transactions which are completed in United States dollars are translated into Canadian dollars by the use of the exchange rate in effect the day of the transaction. At the balance sheet date, monetary items denominated in foreign currency are adjusted to reflect the exchange rate in effect at that date.

3. Inventory

	2010	2009
Recyclable Inventory	\$ 85,969	\$ 66,594
Collection Supplies	33,886	55,619
	\$ 119,855	\$ 122,213

4. Capital Assets

Capital assets are classified as follow	Cost	2010 Accumulated Depreciation	Net Book Value	2009 Net Book Value
Land	\$ 124,830	\$ -	\$ 124,830	\$ 124,830
Buildings	1,636,013	526,670	1,109,343	1,180,792
Collection Supplies	1,323,448	571,721	751,727	264,887
Office Furniture and Equipment	332,116	292,902	39,214	59,002
Processing machinery and Equipment	3,617,616	1,517,233	2,100,383	2,406,067
Automotive Equipment	10,432,860	7,534,607	2,898,253	2,730,569
	\$ 17,466,883	\$ 10,443,133	\$ 7,023,750	\$ 6,766,147

Purchase of capital assets:	2010	2009
Land and Buildings	\$ -	\$ 286,655
Collection supplies	598,599	-
Office furniture and equipment	3,628	54,428
Processing machinery and equipment	2,651	2,440,161
Automotive equipment	869,160	337,843
Assets purchased under capital lease	(369,936)	(83,300)
	\$ 1,104,102	\$ 3,035,787

5. Long Term Debt

The following table outlines outstanding bank term and equipment loan repayable in monthly installments consisting of the outlined principal plus monthly interest, and are secured by real property, the vehicle, the equipment and/or a general security agreement covering all the company assets.

Rate	Instalments	Due Date	2010	2009
Prime	\$ 10,364	September 2019	\$ 1,098,599	\$ 1,222,969
6.30%	8,334	August 2011	566,632	666,640
Prime	8,600	May 2015	455,800	-
7.00%	4,767	May 2015	216,698	-
7.30%	4,287	June 2013	154,196	192,879
6.59%	4,197	May 2013	150,769	189,787
Prime	2,750	December 2014	129,250	162,250
6.87%	2,682	December 2014	133,948	156,161
Variable	4,029	September 2012	100,183	145,073
Variable	3,949	March 2012	84,789	129,368
Prime	4,167	May 2012	70,839	120,843
Variable	3,947	February 2012	81,461	126,106
Variable	3,779	June 2011	57,575	100,855
Variable	3,775	April 2011	51,276	94,664
Prime	4,100	December 2011	36,900	86,100
Prime	2,517	December 2011	20,136	50,340
Prime	1,417	December 2012	31,174	48,178
Prime	1,567	December 2011	12,536	31,340
			3,452,761	3,523,553
Less amounts due within one year			1,360,012	744,465
			\$ 2,092,749	\$ 2,779,088

Long term debt repayments due over the next five years are as follows:

2011	\$	1,360,012
2012		587,241
2013		466,638
2014		368,712
2015		190,083
2016		480,075
	\$	<u>3,452,761</u>

6. Obligation under Capital Lease

The following is a schedule of future minimum lease payments under a capital lease expiring in 2013:

	2011	137,583
	2012	107,787
	2013	101,407
	2014	67,512
	2015	36,848
Future minimum lease payments		<u>451,137</u>
Less: Amount representing interest at 4.75 & 9.75%		<u>(66,388)</u>
Obligation under capital lease		384,749
Less: Amount due within one year		110,678
Long term obligation under capital lease	\$	<u>274,071</u>

The interest charged to income during the current year amounts to \$15,476 and is included in interest on long term debt.

7. Government Assistance

In 2009 government assistance from Waste Diversion Ontario in the amount of \$2,000,000 was deducted from the cost of the related capital asset purchase. As of the year end date and amount of \$250,000 has not yet be received by the association and has been recorded as a grant receivable. All the significant terms and conditions of the agreement between the association and WDO have been substantially completed.

The agreement stipulates that a portion of the assistance will be repayable if the related equipment is removed from operation prior to the end of its useful life and replaced with equipment of lesser value.

8. Commitments

The Association has also issued a \$40,000 Letter of Credit through the Bank of Montreal in favour of a customer and a \$44,100 Letter of Credit in favour of the City of Toronto.

The Association has also committed itself to purchase a baler for approximately \$500,000. During 2010, a deposit of \$99,710 was made on the baler. This amount is included in the prepaid expenses.

9. Financial Instruments

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Association is not exposed to significant credit risks.

Interest Rate Risk

The company has bank loans subject to floating interest rates and is exposed to fluctuations based on the bank's prime rate of interest.

Currency Exposure Risk

The company has significant cash balances represented in US dollars exposed to fluctuations in the exchange rate between Canadian and US dollar.

The fair market values of the organization's financial instruments approximate their carrying value.

10. Comparative Figures

The presentation of certain amounts on the financial statements for the previous year have been changed where necessary to conform with the financial statement presentation adopted for 2010. The net operating results for the previous year are not affected by this reclassification.

2010 Management

Board of Directors

Chairman George Robertson, *South Huron*
Vice-Chairman Meredith Schneider, *North Perth*

Huron

George Robertson, *South Huron*
Ray Hurd, *Goderich*

Lambton

Emery Huszka, *Dawn-Euphemia*
John Russel, *Lambton Shores*

Middlesex

Lucy Hendrikx, *North Middlesex*
Brad Richards, *Strathroy Caradoc*

Perth

Meredith Schneider, *North Perth*
Barb MacLean, *West Perth*

Management

President Francis Veilleux, *since inception*
Vice President Mathew Keeley, *since July 1994*
Fleet Manager Doug Tilford, *since September 2001*

Membership

Huron County

- Municipality of Bluewater
- Municipality of Central Huron
- Municipality of Huron East
- Municipality of South Huron
- Town of Goderich
- Township of Morris-Turnberry (Associate)

Lambton County

- Municipality of Lambton Shores
- Township of Brooke Alvinston
- Township of Dawn/Euphemia
- Township of Warwick
- Village of Oil Springs

Middlesex County

- Municipality of Middlesex Centre
- Municipality of North Middlesex
- Municipality of Southwest Middlesex (Associate)
- Township of Adelaide Metcalfe
- Township of Lucan-Biddulph
- Township of Strathroy-Caradoc

Perth County

- Municipality of North Perth
- Municipality of West Perth
- Town of St. Marys
- Township of Perth East (Associate)
- Township of Perth South

The Association also services other communities under contracts and/or through subcontractors. Associate Members have no voting rights.

Corporate Directory

Head Office

Bluewater Recycling Association
P.O. Box 547
415 Canada Avenue
Huron Park ON N0M 1Y0

Solicitors

McKenzie Lake
Barristers & Solicitors
300 Dundas Street
London ON N6B 1T6

Auditors

Pinder, Taylor, McNeilly, Godkin
Chartered Accountants
71 Main Street, North
Exeter ON N0M 1S3

Financial Institution

Bank of Montreal
400 Main Street
Exeter ON N0M 1S3