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TO: GENERAL COMMITTEE

SUBJECT: GREEN MUNICIPALITY FUND - DEBENTURE ISSUE & GRANT

PREPARED BY AND KEY CONTACT: M. JERMEY, CPA, CA, H.B.COMM, DEPUTY TREASURER (EXT 4407) 

SUBMITTED BY: D. MCKINNON, B.COMM., CGA, DIRECTOR OF FINANCE 

COMMISSIONER APPROVAL: E. ARCHER, CMA, GENERAL MANAGER OF COMMUNITY & CORPORATE SERVICES 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: CARLA LADD, CHIEF ADMINISTRATIVE OFFICER 

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### RECOMMENDED MOTION

1. That the Director of Finance/Deputy Treasurer be authorized to proceed with a twenty year debenture issue in the aggregate principal amount of \$2,000,000 (the "Loan") and grant in the amount of \$400,000 relating to the Water Pollution Control Centre ("WPCC") Expansion Project (the "Project"), secured through the Federation of Canadian Municipalities ("FCM"), as trustee of the Green Municipal Fund ("GMF").
2. That the Mayor and Director of Finance/Deputy Treasurer be authorized to sign the interest rate offer and amortization schedule from FCM and all other documents that may be required.
3. That the appropriate by-laws be enacted in the form attached to FIN020-13 in Appendix A.

### PURPOSE & BACKGROUND

4. On April 6, 2009, Council approved bylaw 2009-06 (motion 09-G-129) authorizing staff to execute an agreement (the "Agreement") with FCM, related to a low interest loan and a grant for the expansion project at the WPCC.
5. The purpose of this report is to seek authorization to issue debentures totalling \$2,000,000 for the Project as outlined in Appendix A thereby satisfying the pre-conditions of the \$400,000 grant contribution to the City.

### ANALYSIS

6. The issuance of 20 year debt for this project is consistent with the term of debt issued with Infrastructure Ontario for this project in 2010 and is also consistent with the City's Financial Policy Framework.

### CONDITIONS OF THE LOAN (DISBURSEMENT)

7. Pursuant to Section 2.05 of the Agreement, at any time following the Project being substantially performed, the City may request the advance of the Loan by delivering to FCM a completed Request for Disbursement. The project achieved substantial completion November 24, 2011 and the fully executed Request for Disbursement was remitted to FCM on November 3, 2013.
8. Further, the City has satisfied all conditions of Disbursement set out in Section 3.01 of the agreement, save and except conditions 3.01(k) and (l) requiring the City to pass the Borrowing

By-law and make arrangements with FCM for delivery of the debenture (Form of By-law attached as Appendix A to this report).

9. The Disbursement Date of the Loan must be no more than 35 Business Days after the Borrowing By-law has been passed. The Disbursement Date requested in the Request for Disbursement is December 12, 2013 and falls within the permitted timeline.

#### CONDITIONS OF THE GRANT (CONTRIBUTION)

10. At the time of this report, there were two outstanding conditions that need to be met in accordance with Sections 2.14 and 3.02 of the Agreement.
  - a) Section 2.14 of the Agreement, requires that the loan must be disbursed prior to receiving the grant.
  - b) Section 3.02 requires that an independent Environmental Results Report demonstrating that the Project met the required minimum environmental benefit, be provided to FCM. This work is currently underway and is expected to be completed by the end of 2Q2014. Staff are not currently aware of any reason why the minimum environmental benefits would not be met.

Once all of the conditions are satisfied, staff will complete the Request for Contribution to trigger the release of the Grant.

#### ENVIRONMENTAL MATTERS

11. There are no environmental matters relating to the approval of the debenture issue.
12. There are no direct environmental matters relating to the receipt of the grant. However, the City must still complete and deliver, the Environmental Results Report confirming that the Project has achieved the required minimum environmental benefit. The results of this report must be verified by a third party.

#### ALTERNATIVES

13. There is one alternatives presented for General Committee consideration:

##### Alternative #1

General Committee could choose not to issue the debenture under the terms and conditions specified by FCM.

This alternative is not recommended as the portion of the project to be funded from debenture funding relating to this staff report will have to be funded through alternative means. In addition, the interest rate on the debenture is 2%, which is below the rate at which the City of Barrie would normally issue debentures, and not issuing the debenture would result in the forfeiture of the related \$400k grant.

#### FINANCIAL

14. The principal amount of the Loan is \$2,000,000.

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15. The Loan is to be repaid in forty (40) equal consecutive semi-annual instalments of combined principal and interest, commencing six (6) months after the Disbursement Date (i.e. 20yrs). Therefore, the first repayment will occur June 12, 2014 with the Loan being fully repaid in 2033
  16. The 20 year debenture interest rate is calculated as the higher of:
    - a) The average of the Government of Canada ten year benchmark bond yield and the long-term Government of Canada benchmark bond yield both in effect five Business days immediately preceding the date on which the Borrowing By-law is passed minus 1.5% per annum; and
    - b) 2% per annum.

Staff anticipate the interest rate will be 2% per annum as the calculated rate for Part A above is 1.32% at November 5, 2013 which is lower than the 2% per annum minimum rate and expected to remain stable. However, the actual debenture rate offer and repayment schedule will not be confirmed until November 25, 2013 and will be circulated separately to Council members as a memo and forming part of the By-law being passed.

17. The estimated annual debt servicing costs are \$6,666 in 2013 and \$128,215 annually beginning in 2014 concluding with the full repayment of the Loan in 2034. Annual debt servicing will be funded from Development Charges as the Project was identified as 100% growth related.
18. The City has the option to prepay all or part of the principal amount of the Loan after the expiration of the first half of the Term, provided it simultaneously pays all accrued interest plus an amount equal to 3% of the principal amount of the Loan being prepaid.
19. Incorporating this debt issuance, existing debt and all other debt that Council has authorized but has not yet been issued, the City of Barrie would be using approximately 59% of its debt capacity based on the 2013 annual repayment limit calculated by the Ministry of Municipal Affairs.

#### **LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

20. The recommendations in this report support Council's Strategic Priority to increase fiscal responsibility to ensure controlled spending and best use of funding available.

**APPENDIX A - Bylaw 2013-??**

**WHEREAS** the Municipal Act, 2001, as amended (the "Act") provides that a municipality may incur a debt for municipal purposes, whether by borrowing money or in any other way, and may issue debentures and prescribed financial instruments and enter prescribed financial agreements for or in relation to the debt;

**AND WHEREAS** the Council of the City of Barrie (the "Municipality") has passed the by-law(s) enumerated in Part (1) of Schedule "A" attached hereto and forming part of this By law ("Schedule "A") authorizing the project described in Part (2) of Schedule "A" (the "Project") and authorizing, inter alia, the entering into of a combined loan and grant agreement dated January 14, 2010 for the provision of long term borrowing from the Federation of Canadian Municipalities, as trustee of the Green Municipal Fund ("FCM") in respect of the Project (the "Financing Agreement") and desires to issue debentures for the Project in the amount specified in Part (3) of Schedule "A";

**AND WHEREAS** before authorizing the Project, the Municipality had its Treasurer update its most recent annual debt and financial obligation limit received from the Ministry of Municipal Affairs and Housing in accordance with the applicable regulation and, prior to authorizing the Project, the Treasurer determined that the estimated annual amount payable in respect of the Project, would not cause the Municipality to exceed the updated limit and that the approval of the Project, by the Ontario Municipal Board was not required;

**AND WHEREAS** to provide long term financing for the Project pursuant to the Financing Agreement, it is now expedient to issue X.XX% amortizing debentures in the principal amount of \$X,XXX,XXX in lawful money of Canada, on the terms hereinafter set forth.

**THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF BARRIE ENACTS AS FOLLOWS:**

1. For the Project, the borrowing upon the credit of the Municipality of the principal sum of \$X,XXX,XXX and the issue of amortizing debentures therefore upon, the credit of the Municipality to be repaid in semi-annual installments of combined (blended) principal and interest as hereinafter set forth, are hereby authorized.
2. The Mayor and the Treasurer of the Municipality are hereby authorized to cause any number of amortizing debentures to be issued up to the aggregate of the said sum of \$X,XXX,XXX substantially in the form attached as Schedule "B" attached hereto and forming part of this By-law (the "Debentures"). The Debentures shall bear the Municipality's municipal seal and the signatures of the Mayor and the Treasurer of the Municipality, all in accordance with the provisions of the Act. The municipal seal of the Municipality and the signatures referred to in this section may be printed, lithographed, engraved or otherwise mechanically reproduced. The debentures are sufficiently signed if they bear the required signatures and each person signing has the authority to do so on the date he or she signs.
3. The Debentures shall be in fully registered form as one or more certificates in the aggregate principal amount of \$X,XXX,XXX in the name of FCM or as FCM may otherwise direct, substantially in the form attached as Schedule "B" hereto and forming part of this By-law with provision for payment of principal and interest (other than in respect of the final payment of principal and outstanding interest on the maturity date upon presentation and surrender) on such terms as to which the registered holder and the Municipality may agree.
4. The Debentures shall all be dated the 12<sup>th</sup> of December, 2013, and as to both principal and interest shall be expressed and be payable in lawful money of Canada. The Debentures shall bear interest at the rate X.XX% per annum from the date thereof payable semi—annually in arrears as described in

this section. The Debentures shall be paid in full by December 12, 2033 which is two hundred and forty (240) months from date of Disbursement and shall be payable in semi-annual instalments of combined (blended) principal and interest on such days as are set forth in Schedule "C" attached hereto and forming part of this By-law ("Schedule "C") in each of the years during the currency of the Debentures, as set forth in Schedule "C".

5. Payments in respect of principal of and interest on the Debentures shall be made only on a day on which banking institutions in Ottawa, Ontario, are not authorized or obligated by law or executive order to be closed (an "Ottawa Business Day"), and if any date for payment is not an Ottawa Business Day, payment shall be made on the next following Ottawa Business Day and no further interest shall be paid in respect of the delay in such payment.
6. If the Municipality defaults in the payment of any installment of combined (blended) principal and interest at any time appointed for payment thereof, the Municipality shall, until such overdue principal and/or interest amount(s) has/have been paid in full, pay to FCM interest on the principal and interest that is from time to time outstanding at an annual rate that equals the total of: (a) X.XX%, plus (b) two percent (2.0%) per annum, calculated from the date of such default.
7. Whenever it is necessary to compute any amount of interest in respect of the Debentures for a period of less than one full year, other than with respect to regular semi-annual interest payments, such interest shall be calculated on the basis of the actual number of days in the period and a year of 365 or 366 days as appropriate.
8. Following [Day, Month, Year], the Municipality may on any subsequent semi-annual payment date, on not less than thirty (30) days notice to FCM, prepay all or part of the principal that is then outstanding, provided it simultaneously pays all accrued interest thereon plus, as a bonus, an additional three percent (3%) of the principal amount prepaid. In the case of a prepayment of a part of the principal, the amortization schedule set out in Schedule "C" shall be adjusted accordingly. In the case of a prepayment of a part of the principal, the amount of such prepayment cannot be less than the sum of one hundred thousand dollars (\$100,000.00). Upon delivery of such notice, the Municipality shall be obligated to effect prepayment in accordance with the terms of the notice and this section. Any amounts prepaid may not be re-borrowed.
9. Each year in which a payment of an installment of combined (blended) principal and interest becomes due in respect of the Debentures, there shall be raised as part of the general levy the amounts of principal and interest payable in each year as set out in Schedule "C" to the extent that the amounts have not been provided for by any other available source including other taxes or fees or charges imposed on persons or property by a by-law of any municipality
10. The Debentures may contain any provision for their registration thereof authorized by any statute relating to municipal debentures in force at the time of the issue thereof.
11. The Municipality shall maintain a registry in respect of the Debentures in which shall be recorded the names and the addresses of the registered holders and particulars of the Debentures held by them respectively and in which particulars of the cancellation, exchanges, substitutions and transfers of Debentures, may be recorded and the Municipality is authorized to use electronic, magnetic or other media for records of or related to the Debentures or for copies of them.
12. The Municipality shall not be bound to see to the execution of any trust affecting the ownership of any Debenture or be affected by notice of any equity that may be subsisting in respect thereof. The Municipality shall deem and treat registered holders of Debentures as the absolute owners thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or to the order of registered holders shall be valid and effectual to discharge the liability of the Municipality the Debentures to the extent of the sum or sums so paid. Where a Debenture is registered in more than one name, the principal of and interest from time to time payable on such Debenture shall be paid to or to the order of all the joint registered holders thereof, failing written instructions to the contrary from all such joint registered holders, and such payment shall constitute a valid discharge to the Municipality. In the case of the death of one or more joint registered holders, despite the foregoing provisions of this section, the principal of and interest on any Debentures registered in their names

may be paid to the survivor or survivors of such holders and such payment shall constitute a valid discharge to the Municipality.

13. The Debentures will be transferable or exchangeable at the office of the treasurer of the Municipality upon presentation for such purpose accompanied by an instrument of transfer or exchange in a form approved by the Municipality and which form is in accordance with the prevailing Canadian transfer legislation and practices, executed by the registered holder thereof or such holder's duly authorized attorney or legal personal representative, whereupon and upon registration of such transfer or exchange and cancellation of the Debenture, the Mayor and the treasurer shall issue and deliver a new Debenture or Debentures of an equal aggregate principal amount in any authorized denomination or denominations as directed by the transferee, in the case of a transfer or as directed by the registered holder in the case of an exchange.
14. The Mayor and the Treasurer shall issue and deliver new Debentures in exchange or substitution for the Debentures outstanding on the registry with the same maturity and of like form which have become lost, stolen, mutilated, defaced or destroyed, provided that the applicant therefore shall have: (a) paid such costs as may have been incurred in connection therewith; (b) (in the case of a lost, stolen or destroyed Debenture) furnished the Municipality with such evidence (including evidence as to the certificate number of the Debenture in question) and indemnity in respect thereof satisfactory to the Municipality in its discretion; and (c) surrendered to the Municipality any mutilated or defaced Debentures in respect of which new Debentures are to be issued in substitution.
15. The Debentures issued upon any registration of transfer or exchange or in substitution for any Debentures or part thereof shall carry all the rights to interest if any, accrued and unpaid which were carried by such Debentures or part thereof and shall be so dated and shall bear the same maturity date and, subject to the provisions of this By-law, shall be subject to the same terms and conditions as the Debentures in respect of which the transfer, exchange or substitution is effected.
16. The cost of all transfers and exchanges, including the printing of authorized denominations of the new Debentures, shall be borne by the Municipality. When any of the Debentures are surrendered for transfer or exchange the treasurer of the Municipality shall: (a) in the case of an exchange, cancel and destroy the Debentures surrendered for exchange; (b) in the case of an exchange, certify the cancellation and destruction in the registry; and (c) enter in the registry particulars of the new Debenture or Debentures issued in exchange.
17. Reasonable fees for the substitution of a new Debenture or new Debentures for any of the Debentures that are lost, stolen, mutilated, defaced or destroyed and for the replacement GMF 10133 of lost, stolen, mutilated, defaced or destroyed principal and interest cheques may be imposed by the Municipality. Where new Debentures are issued in substitution in these circumstances the Municipality shall: (a) treat as cancelled and destroyed the Debentures in respect of which new Debentures will be issued in substitution; (b) certify the deemed cancellation and destruction in the registry; (c) enter in the registry particulars of the new Debentures issued in substitution; and (d) make a notation of any indemnities provided.
18. Except as otherwise expressly provided herein, any notice required to be given to a registered holder of one or more of the Debentures will be sufficiently given if a copy of such notice is mailed or otherwise delivered to the registered address of such registered holder.
19. The Mayor and the Treasurer are hereby authorized to cause the Debentures to be issued, the Clerk and the treasurer are hereby individually authorized to generally do all things and to execute all documents and other papers in the name of the Municipality in order to carry out the issue of the Debentures and the treasurer is authorized to affix the Municipality's municipal seal to any of such documents and papers.
20. The proceeds realized in respect of the Debentures, after providing for the expenses related to their issue, if any, shall be apportioned and applied to the Project and to no other purpose except as permitted by the Act.
21. Subject to the Municipality's investment policies and goals, the applicable legislation and the terms and conditions of the Debentures, the Municipality may, if not in default under the Debentures, at any

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time purchase any of the Debentures in the open market or by tender or by private contract at any price and on such terms and conditions (including, without limitation, the manner by which any tender offer may be communicated or accepted and the persons to whom it may be addressed) as the Municipality may in its discretion determine.

This By-law takes effect on the day of passing.

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Jeff Lehman, Mayor

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Dawn McAlpine, Clerk

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**Schedule "A" to Borrowing By-Law**

**1. By-law:**

**2009-066** (A By-law authorizing the Mayor and City Clerk to execute the Agreement related to the Loan and Grant for the expansion project at the Water Pollution Control Centre)

**2. Project Description:**

The City of Barrie is a dynamic and growing community of 132,000, situated 70 km north of Toronto, Ontario. Barrie is located at the westerly end of Kempenfelt Bay on Lake Simcoe. Statistics Canada ranked the Barrie CMA as having the fastest growing employment rate between 2001 and 2006 and also had the fastest growing population, experiencing 23.8% growth between 2001 and 2006.

Wastewater collected from the residential, commercial, institutional and industrial users within the city boundary is conveyed to the City's Water Pollution Control Centre (WPCC), located near the southwest shore of Kempenfelt Bay.

The main features of the WPCC expansion to 76 MLD include the following:

- Expand influent pumping capacity by adding one pump in the raw sewage pumping station
- Expand biological treatment capacity by adding one UNOX system (BOD and Phosphorus Removal) and two treatment trains of Rotating Biological Contactors (Ammonia Removal)
- Expand solid separation capacity by adding one secondary clarifier and two sand filters
- Expand disinfection capacity by upgrading existing UV lamps
- Expand and improve sludge digestion capacity by adding one primary digester
- Expand biogas utilization facility by adding one additional methane gas scrubber.

The main driver for the project is that the WPCC is currently reaching its capacity of 57 MLD, and therefore is limiting growth. The City's projected out to boundary (with intensification) scenario requires a capacity of 76 MLD. This expansion to the Barrie WPCC is expected to be completed by summer 2010. It is the first phase of a long term wastewater treatment strategy the City committed to, in order to promote City growth with minimum impact on the environment.

It is expected that the WPCC expansion to 76 MLD, while providing the required hydraulic capacity, will also enable the City to comply with more stringent effluent requirements. The City will improve its effluent quality by reducing the plant's treatment objective on phosphorus and ammonia, to 0.18 mg/L and 4.10 mg/L respectively.

The most notable environmental, social and economic benefits include: contributing to the sustainability of Kempenfelt Bay and Lake Simcoe, promoting the waterfront as an important centerpiece for the City, and furthering the ability of the City to intensify and utilize the full potential of the employment lands.

The performance measurement plan includes the criteria as set out by the Ministry of the Environment that will be met upon completion of the WPCC expansion to 76 MLD. All three of the mandatory effluent criteria for this funding program, will be achieved through this project. In addition, stringent effluent standards related to ammonia and phosphorous will be achieved.

The City has assembled a project team rich in experience on large scale projects of this size and scope, as well as technical knowledge related to the intricacies of the WPCC operations.

The total project cost, including engineering and construction is \$84,000,000.

The objectives of this project are in keeping with several of Council's Strategic Priorities, including: Revitalization of the City Centre; Position Barrie at the Forefront of Environmental Issues; and Attract, Retain and Expand Business for Barrie.

**3. Amount of Debentures to be Issued:**



\$2,000,000

**4. Term of years of Debentures:**

Twenty (20) years

**Schedule "B" to Borrowing By-law**

Province of Ontario  
The Corporation of the City of Barrie

No. [insert number of this debenture]

FULLY REGISTERED X.XX% AMORTIZING DEBENTURE

THE CORPORATION OF THE CITY OF BARRIE (the "**Municipality**"), for value received, hereby promises to pay to:

FEDERATION OF CANADIAN MUNICIPALITIES, AS TRUSTEE FOR THE GREEN MUNICIPAL FUND  
("FCM")

or registered assigns, subject to the conditions attached hereto which form part hereof (the "**Conditions**"), upon presentation and surrender of this debenture by the maturity date of this debenture ([Day, Month], 20XX), the principal sum of

XXXXX (alpha)

----- (\$X,XXX,XXX) -----

by semi-annual instalments of combined (blended) principal and interest in the manner and in the amounts set forth in the attached amortization schedule (the "**Schedule**") and subject to late payment interest charges pursuant to the Conditions, in lawful money of Canada. Interest shall be paid until the maturity date of this debenture, in like money in semi-annual payments from the 12<sup>th</sup> of December, 2013 or from the last date on which interest has been paid on this debenture, whichever is later at the rate of X.XX% per annum, in arrears, on the specified dates, as set forth in the Schedule (each, a "**Payment Date**") in the manner provided in the Conditions. Interest shall be paid on default at the applicable rate set out in the Conditions both before and after default and judgment. The applicable rate of interest, the payments of principal and interest and the principal balance outstanding in each year are shown in the Schedule.

This debenture is subject to the Conditions.

DATED at the CORPORATION OF THE CITY OF BARRIE on December 12, 2013

IN TESTIMONY WHEREOF and under the authority of By-law Number 2013-XX of the Municipality duly passed on December 2, 2013 (the "**By-law**"), this debenture is sealed with the municipal seal of the Municipality and signed by the Mayor and the treasurer thereof.

Date of Registration: December 2, 2013

\_\_\_\_\_  
Jeff Lehman, Mayor

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Ed Archer, Treasurer

**Amortization Schedule**

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**CONDITIONS OF THE DEBENTURE**

1. The debentures issued pursuant to the By-law (collectively the "Debentures" and individually a "Debenture") are issuable as fully registered Debentures without coupons.
2. The Debentures are direct, unsecured and unsubordinated obligations of the Municipality. The Debentures rank concurrently and equally in respect of payment of principal and interest with all other debentures of the Municipality except for the availability of money in a sinking or retirement fund for a particular issue of debentures.
3. This Debenture is one fully registered Debenture registered in the name of FCM and held by FCM.
4. The Municipality shall maintain at its designated office a registry in respect of the Debentures in which shall be recorded the names and the addresses of the registered holders and particulars of the Debentures held by them respectively and in which particulars of the cancellation, exchanges, substitutions and transfers of Debentures, may be recorded and the Municipality is authorized to use electronic, magnetic or other media for records of or related to the Debentures or for copies of them.
5. The Municipality shall not be bound to see to the execution of any trust affecting the ownership of any Debenture or be affected by notice of any equity that may be subsisting in respect thereof. The Municipality shall deem and treat registered holders of Debentures, including this Debenture as the absolute owners thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or to the order of registered holders shall be valid and effectual to discharge the liability of the Municipality on the Debentures to the extent of the sum or sums so paid. Where a Debenture is registered in more than one name, the principal of and interest from time to time payable on such Debenture shall be paid to or to the order of all the joint registered holders thereof, failing written instructions to the contrary from all such joint registered holders, and such payment shall constitute a valid discharge to the Municipality. In the case of the death of one or more joint registered holders, despite the foregoing provisions of this section, the principal of and interest on any Debentures registered in their names may be paid to the survivor or survivors of such holders and such payment shall constitute a valid discharge to the Municipality.
6. The record date for purposes of payment of principal of and interest on the Debentures is as of 5:00 p.m. on the sixteenth calendar day preceding any Payment Date including the maturity date. Principal of and interest on the Debentures are payable by the Municipality to the persons registered as holders in the registry on the relevant record date. The Municipality shall not be required to register any transfer, exchange or substitution of Debentures during the period from any record date to the corresponding Payment Date.
7. The Municipality shall make all payments in respect of semi-annual instalments of combined (blended) principal and interest on the Debentures on each Payment Date commencing on [Day, Month, Year] (other than in respect of the final payment of principal and outstanding interest on the maturity date upon presentation and surrender of this Debenture) on such terms as the Municipality and the registered holder may agree.
8. Following [Day, Month, Year], the Municipality may on any subsequent semi-annual payment date, on not less than thirty (30) days notice to FCM, prepay all or part of the principal that is then outstanding, provided it simultaneously pays all accrued interest thereon plus, as a bonus, an additional three percent (3%) of the principal amount prepaid. In the case of a prepayment of a part of the principal, a new amortization schedule will be provided to the Municipality effective as of the date of the prepayment and such new amortization schedule shall be deemed to replace the amortization schedule which constitutes part of the Debenture in respect of which the

prepayment was effected. In the case of a prepayment of a part of the principal, the amount of such prepayment cannot be less than the sum of one hundred thousand dollars (\$100,000.00). Upon delivery of such notice, the Municipality shall be obligated to effect prepayment in accordance with the terms of the notice and this section. Any amounts prepaid may not be re-borrowed.

9. If the Municipality defaults in the payment of any instalment of combined (blended) principal and interest at any time appointed for payment thereof, the Municipality shall, until such overdue principal and/or interest amount(s) has/have been paid in full, pay to FCM interest on the principal and interest that is from time to time outstanding at an annual rate that equals the total of: (a) X.XX% plus (b) two percent (2.0%) per annum, calculated from the date of such default.
10. Whenever it is necessary to compute any amount of interest in respect of the Debentures for a period of less than one full year, other than with respect to regular semi-annual interest payments, such interest shall be calculated on the basis of the actual number of days in the period and a year of 365 or 366 days, as appropriate.
11. Payments in respect of principal of and interest on the Debentures shall be made only on a day on which banking institutions in Ottawa, Ontario, are not authorized or obligated by law or executive order to be closed (a "Business Day"), and if any date for payment is not an Ottawa Business Day, payment shall be made on the next following Business Day and no further interest shall be paid in respect of the delay in such payment.
12. The Debentures are transferable or exchangeable at the office of the treasurer of the Municipality upon presentation for such purpose accompanied by an instrument of transfer or exchange in a form approved by the Municipality and which form is in accordance with the prevailing Canadian transfer legislation and practices, executed by the registered holder thereof or such holder's duly authorized attorney or legal personal representative, whereupon and upon registration of such transfer or exchange and cancellation of the Debenture or Debentures presented, a new Debenture or Debentures of an equal aggregate principal amount in any authorized denomination or denominations will be delivered as directed by the transferee, in the case of a transfer or as directed by the registered holder in the case of an exchange.
13. The Municipality shall issue and deliver new Debentures in exchange or substitution for Debentures outstanding on the registry with the same maturity and of like form which have become lost, stolen, mutilated, defaced or destroyed, provided that the applicant therefor shall have: (a) paid such costs as may have been incurred in connection therewith; (b) (in the case of a lost, stolen or destroyed Debenture) furnished the Municipality with such evidence (including evidence as to the certificate number of the Debenture in question) and indemnity in respect thereof satisfactory to the Municipality in its discretion; and (c) surrendered to the Municipality any mutilated or defaced Debentures in respect of which new Debentures are to be issued in substitution.
14. The Debentures issued upon any registration of transfer or exchange or in substitution for any Debentures or part thereof shall carry all the rights to interest if any, accrued and unpaid which were carried by such Debentures or part thereof and shall be so dated and shall bear the same maturity date and, subject to the provisions of the By-law, shall be subject to the same terms and conditions as the Debentures in respect of which the transfer, exchange or substitution is effected.
15. The cost of all transfers and exchanges, including the printing of authorized denominations of the new Debentures shall be borne by the Municipality. When any of the Debentures are surrendered for transfer or exchange to the treasurer of the Municipality shall: (a) in the case of an exchange, cancel and destroy the Debentures surrendered for exchange; (b) in the case of an

exchange, certify the cancellation and destruction in the registry; and (c) enter in the registry particulars of the new Debenture or Debentures issued in exchange.

16. Reasonable fees for the substitution of a new Debenture or new Debentures for any of the Debentures that are lost, stolen, mutilated, defaced or destroyed and for the replacement of lost, stolen, mutilated, defaced or destroyed principal and interest cheques may be imposed by the Municipality. Where new Debentures are issued in substitution in these circumstances the Municipality shall: (a) treat as cancelled and destroyed the Debentures in respect of which new Debentures will be issued in substitution; (b) certify the deemed cancellation and destruction in the registry; (c) enter in the registry particulars of the new Debentures issued in substitution; and (d) make a notation of any indemnities provided.
17. Except as otherwise expressly provided herein, any notice required to be given to a registered holder of one or more of the Debentures will be sufficiently given if a copy of such notice is mailed or otherwise delivered to the registered address of such registered holder. If the Municipality or any registered holder is required to give any notice in connection with the Debentures on or before any day and that day is not an Business Day then such notice may be given on the next following Business Day.
18. Unless otherwise expressly provided herein, any reference herein to a time shall be considered to be a reference to Ottawa, Ontario time.
19. The Debentures are governed by and shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in Ontario.

**Schedule "C" to Borrowing By-law**