

**BORROWING BY-LAW
MUNICIPALITIES**

BY-LAW NO. 04-586

WHEREAS _____ the _____ Corporation
(COUNCIL)
of _____ the _____ Municipality _____ of _____ Temagami
(NAME OF MUNICIPALITY)

(the "Corporation") deems it necessary to borrow the sum of

Two _____ Million

dollars (\$ 2,000,000) to meet, until the taxes are collected and other revenues are received, current expenditures of the Corporation for the year;

BE IT THEREFORE ENACTED as a By-Law of the Corporation as follows:

(INSERT TITLES
RATHER
THAN NAMES)

1. The * Mayor and Chief Administrative Officer xj are hereby authorized to borrow on behalf of the Corporation from THE BANK OF NOVA SCOTIA (the "Bank") from time to time by way of promissory note or bankers' acceptance a sum or sums not exceeding at any one time Two Million dollars

(\$ 2,000,000) to meet, until the taxes are collected and other revenues are received, current expenditures of the Corporation for th^ year 2005 _____.

2. The * Mayor and Chief Administrative Officer » are hereby authorized to sign, make or draw on behalf of the Corporation and to furnish to the Bank from time to time promissory notes or bankers' acceptances for the sum or sums so borrowed with interest or any other charges at such rate as the Bank may from time to time determine.

3. The * Mayor and Chief Administrative Officer rto are hereby authorized and directed to furnish to the Bank at the time of each borrowing and at such other times as the Bank may from time to time request, a statement showing the nature and amount of the estimated revenues of the current year not yet collected or where the estimates for the year have not been adopted, a statement showing the nature and amount of the estimated revenues of the Corporation as set forth in the estimates adopted for the next preceding year and also showing the total of any amounts borrowed in the current year and in any preceding year that have not been repaid.

4. All sums borrowed from the Bank and any interest thereon and any other charges in connection therewith shall, be a charge upon the whole of the revenues of the Corporation for the current year and for any preceding years as and when such revenues are received and that * Mayor and Chief Administrative Officer X^ are hereby authorized to sign on behalf of the Corporation and to furnish to the Bank an Agreement or Agreements of the Corporation charging the said revenues of the Corporation with payment of all sums borrowed from the Bank and any interest thereon and any other charges in connection therewith.

5. The * Mayor and Chipf Administrative Officer xxs are hereby authorized and directed to apply in payment of all sums borrowed from the Bank, and of any interest thereon and any other charges in connection therewith, all of the moneys hereafter collected or received on account or realized in respect of the taxes levied for the current year and for any preceding years and all of the moneys collected or received from any other source.

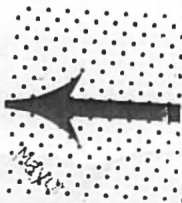
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CERTIFICATE

I hereby certify that the foregoing is a true copy of By-Law No. ~~04-587~~ 04-586 of the Corporation of the Municipality of Temagami in the Province of Ontario _____ duly passed at a meeting of the Council of the said Corporation duly held on the 9th day of December, 2004 that the said By-Law is under the seal of the said Corporation and signed by its proper officers as required by law and that the said By-Law is in full force and effect.

DATED this 9 th day of December, 200^

(CORPORATE SEAL)



DATE RECEIVED
RECORDED.....
APPROVED.....
E.O. AUDITOR.....

By: Sign *G. Whelan*
Title Mayor

By: Sign *R. T. Small*
Title Chief Administrative Officer

**SECURITY AGREEMENT
MUNICIPALITIES AND SCHOOL BOARDS**

To: THE BANK OF NOVA SCOTIA, (the "Bank")

* (DELETE
WHICHEVER IS
INAPPLICABLE)

WHEREAS by a *By-law or Resolution passed by the Corporation
(COUNCIL OR SCHOOL BOARD, ETC.)

of the Municipality of Temagami

(NAME OF MUNICIPALITY, SCHOOL DISTRICT, ETC.)

on the 9th day of December, 2004 authority was given to the

** Mayor and Chief Administrative Officer to borrow from

the Bank the sum or sums therein mentioned and this Agreement was authorized.

** (INSERT TITLES
RATHER THAN
NAMES OF
AUTHORIZED
OFFICIALS AS
SET OUT IN THE
BORROWING
BY-LAW OR
RESOLUTION)

AND WHEREAS the Corporation desires to borrow the said sum or sums from the Bank.

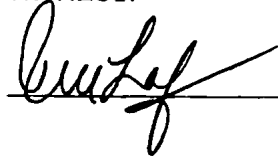
NOW IT IS HEREBY AGREED by the Corporation that in consideration of the Bank advancing or providing the said sum or sums to the Corporation that all the revenues of the Corporation of whatever nature and kind are hereby charged to and in favour of the Bank, as security for payment of the moneys so advanced or provided by the Bank and any interest thereon and any other charges in connection therewith and the Bank shall have a lien upon all such revenues until the charge hereby and by the said *By-law or Resolution created is satisfied.

The Corporation represents and warrants that the whole or any part or parts of the revenues of the Corporation are not subject to any prior charge, except as disclosed to the Bank in writing.

*** (FOR MUNICIPALITIES
IN ONTARIO
DELETE THE
PHRASE TTS
CORPORATE SEAL
TO BE HEREUNTO
AFFIXED UNDER THE
HANDS OF AND
INSERT INSTEAD
THIS AGREEMENT TO
BE EXECUTED BY")

IN WITNESS WHEREOF the Corporation has caused ~~this agreement to be executed by~~
~~under the hands of~~ its proper officers as required by law this 9th day of December 2004, ~~its corporate seal to be hereunto affixed~~

WITNESS:



By: Sign

Title

Mayor

Sign

Title

Chief Administrative Officer

c/s

DATE RECEIVED
RECORDED.....
APPROVED.....
E.O.
AUDITOR.....

November 30, 2004

The Corporation of the
Municipality of Temagami

Attn: Chief Administrative Officer

Dear Sir:

We confirm that subject to acceptance by you, The Bank of Nova Scotia (the "Bank") will make available to The Corporation of the Municipality of Temagami (the "Borrower"), credit facilities on the terms and conditions set out in the attached Terms and Conditions Sheet and Schedule "A".

If the arrangements set out in this letter, and in the attached Terms and Conditions Sheet and Schedule "A" (collectively the "Commitment Letter") are acceptable to you, please sign the enclosed copy of this letter in the space indicated below and return the letter to us by the close of business on December 24, 2004 after which date this offer will lapse.

This Commitment Letter replaces all previous commitments issued by the Bank to the Borrower.

Yours truly,

Email

A.E. Willard
Relationship Manager

The arrangements set out above and in the attached Terms and Conditions Sheet and Schedule "A" (collectively the "Commitment Letter") are hereby acknowledged and accepted by:

The Corporation of the Municipality of Temagami

Name

By: Robert J. Small

By: WJH

Title Administrative Officer

Mayer (Deputy)

Date: Dec 1, 2004

The Bank of Nova Scotia
35 Armstrong Street South
P.O. Box 310
New Liskeard, Ontario
Canada POJ 1P0
Tel: (705)647-7366
Fax: (705) 647-6510

November 30, 2004



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Municipality of Temagami

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Yours truly,

A handwritten signature in dark ink, appearing to read 'A.E. Willard', written over a horizontal line.

A.E. Willard
Relationship Manager

The arrangements set out above and in the attached Terms and Conditions Sheet and Schedule "A" (collectively the "Commitment Letter") are hereby acknowledged and accepted by:

The Corporation of the Municipality of Temagami
Name

By: A handwritten signature in dark ink, appearing to read 'Robert D. Small', written over a horizontal line.
Title: CAO

Date: December 15, 2004

TERMS AND CONDITIONS

CREDIT NUMBER: 01 AUTHORIZED AMOUNT: \$1,000,000

TYPE

Operating.

PURPOSE

General operating requirements.

CURRENCY

Canadian dollars

AVAILMENT

The Borrower may avail the credit by way of direct advances evidenced by Demand Promissory Note.

INTEREST RATE

The Bank's Prime Lending Rate from time to time with interest payable monthly.

DRAWDOWN

Advances are to be made in minimum multiples of \$10,000.

REPAYMENT

Advances are repayable on demand.

SPECIFIC CONDITIONS

The following conditions will apply in respect of the Credit:

Operating credits are to be limited to:

January 1 to September 30 annually

50% of total estimated annual revenue as approved by Council.

October 1 to December 31 annually

25% of total estimated annual revenue as approved by Council.

CREDIT NUMBER: 02 AUTHORIZED AMOUNT: \$1,000,000

TYPE

Bridge Loan.

PURPOSE

To provide interim funding for up to \$1,000,000 of the costs (\$4,481,775) for a new Water Processing Plant in the municipality pending receipt of funds due from the Ontario Government under its Ontario Small Town and Rural (OSTAR) Development Initiative program, the Federal Government, Ministry of Northern Development and Mines.

CURRENCY

Canadian dollars.

AVAILMENT

The Borrower may avail the Credit by way of direct advances evidenced by Demand Promissory Notes.

INTEREST RATE

The Bank's Prime Lending Rate from time to time, plus 0.50% per annum with interest payable monthly.

REPAYMENT

Once fully drawn, and upon completion of the project (April 2006), Municipality will receive reimbursement from:

Federal Government	\$1,493,925
Provincial Government	\$1,493,925
Ministry of Northern Development And Mines	\$746,963
The Corporation of the Municipality of Temagami	\$746,962

Advances are repayable on or before May 31, 2006, or on demand, whichever comes first.

CREDIT NUMBER: 02 _____ **AUTHORIZED AMOUNT: \$2,000** _____

TYPE

Corporate VISA - availment, interest rate and repayment as per Cardholder Agreement.

PURPOSE

Miscellaneous business expenses.

CURRENCY

Canadian dollars

SPECIFIC SECURITY

The following security, evidenced by documents in form satisfactory to the Bank and registered or recorded as required by the Bank, is to be provided prior to any advances or availment being made under the Credit:

Cardholder Agreement.

GENERAL SECURITY, TERMS, AND CONDITIONS APPLICABLE TO ALL CREDITS

GENERAL SECURITY

The following security, evidenced by documents in form satisfactory to the Bank and registered or recorded as required by the Bank, is to be provided prior to any advances or availment being made under the Credits:

Borrowing By-Law Municipalities - Ontario containing a Pledge of Revenue.

Security Agreement Municipalities and School Boards.

Banking Resolution, Municipalities and a supporting List of Officers.

Municipal Borrowing By-Law for Current Expenditures (specific to the project).

CONDITIONS PRECEDENT

The following conditions are to be met to the satisfaction of the Bank and its solicitors prior to any advances or availment being made under the Credit(s):

Accepted Tender Contract for water processing plant.

Copies of authorized funding from Federal government, Provincial government, Ministry of Northern Development and Mines.

Advances to be supported by Architect's Progress Certificates.

GENERAL CONDITIONS

Until all debts and liabilities under the Credits have been discharged in full, the following conditions will apply in respect of the Credits:

Comply with all applicable borrowing legislation.

Advise the Bank of any breach of statutory borrowing limits.

Provide the Bank with certificates of estimated revenues from time to time, upon request.

GENERAL BORROWER REPORTING CONDITIONS

Until all debts and liabilities under the Credits have been discharged in full, the Borrower will provide the Bank with the following:

Annual Audited Financial Statements within 120 days of the Borrower's fiscal year end duly signed.

Copy of the Approved Budget for the each year within 120 days of year-end.

SCHEDULE A

ADDITIONAL TERMS AND CONDITIONS APPLICABLE
TO ALL CREDITS

1. Calculation and Payment of Interest

Interest on loans/advances made in Canadian dollars will be calculated on a daily basis and payable monthly on the 22nd day of each month (unless otherwise stipulated by the Bank). Interest shall be payable not in advance on the basis of a calendar year for the actual number of days elapsed both before and after demand of payment or default and/or judgment.

2. Interest on Overdue Interest

Interest on overdue interest shall be calculated at the same rate as interest on the loans/advances in respect of which interest is overdue, but shall be compounded monthly and be payable on demand, both before and after demand and judgment.

3. Indemnity Provision

If the introduction or implementation of, or any change in, or in the interpretation of, or any change in its application to the Borrower of, any law or any regulation or guideline issued by any central bank or other governmental authority (whether or not having the force of law), including, without limitation, any reserve or special deposit requirement or any tax (other than tax on the Bank's general income) or any capital requirement, has due to the Bank's compliance the effect, directly or indirectly, of (i) increasing the cost to the Bank of performing its obligations hereunder or under any availment hereunder; (ii) reducing any amount received or receivable by the Bank or its effective return hereunder or in respect of any availment hereunder or on its capital; or (iii) causing the Bank to make any payment or to forgo any return based on any amount received or receivable by the Bank hereunder or in respect of any availment hereunder, then upon demand from time to time the Borrower shall pay such amount as shall compensate the Bank for any such cost, reduction, payment or forgone return (collectively "Increased Costs") as such amounts are calculated in a certificate reasonably prepared by the Bank.

In the event of the Borrower becoming liable for such Increased Costs, the Borrower shall have the right to repay in full, without penalty, the outstanding principal balance under the affected credit other than the face amount of any document or instrument issued or accepted by the Bank for the account of the Borrower, including, without limitation, a Letter of Credit, a Letter of Guarantee or a Bankers Acceptance. Upon any such prepayment, the Borrower shall also pay the then accrued interest on the amount prepaid and the Increased Costs to the date of prepayment together with such amount as will compensate the Bank for the cost of any early termination of its funding arrangements in accordance with its normal practices, as such amounts are calculated in a certificate reasonably prepared by the Bank.

4. Environment

The Borrower agrees:

- (a) to obey all applicable laws and requirements of any federal, provincial, or any other governmental authority relating to the environment and the operation of the business activities of the Borrower;
- (b) to allow the Bank access at all times to the business premises of the Borrower to monitor and inspect all property and business activities of the Borrower;

- (c) to notify the Bank from time to time of any business activity conducted by the Borrower which involves the use or handling of hazardous materials or wastes or which increases the environmental liability of the Borrower in any material manner;
- (d) to notify the Bank of any proposed change in the use or occupation of the property of the Borrower prior to any change occurring;
- (e) to provide the Bank with immediate written notice of any environmental problem and any hazardous materials or substances which have an adverse effect on the property, equipment, or business activities of the Borrower and with any other environmental information requested by the Bank from time to time.
- (f) to conduct all environmental remedial activities which a commercially reasonable person would perform in similar circumstances to meet its environmental responsibilities and if the Borrower fails to do so, the Bank may perform such activities; and
- (g) to pay for any environmental investigations, assessments or remedial activities with respect to any property of the Borrower that may be performed for or by the Bank from time to time.

If the Borrower notifies the Bank of any specified activity or change or provides the Bank with any information pursuant to subsections (c), (d), or (e), or if the Bank receives any environmental information from other sources, the Bank, in its sole discretion, may decide that an adverse change in the environmental condition of the Borrower or any of the property, equipment, or business activities of the Borrower has occurred which decision will constitute, in the absence of manifest error, conclusive evidence of the adverse change. Following this decision being made by the Bank, the Bank shall notify the Borrower of the Bank's decision concerning the adverse change.

If the Bank decides or is required to incur expenses in compliance or to verify the Borrower's compliance with applicable environmental or other regulations, the Borrower shall indemnify the Bank in respect of such expenses, which will constitute further advances by the Bank to the Borrower under this Agreement.

5. Periodic Review

The obligation of the Bank to make further advances or other accommodation available under any Credit(s) of the Borrower under which the indebtedness or liability of the Borrower is payable on demand, is subject to periodic review and to no adverse change occurring in the financial condition or the environmental condition of the Borrower or any guarantor.

6. Evidence of Indebtedness

The Bank's accounts, books and records constitute, in the absence of manifest error, conclusive evidence of the advances made under this Credit, repayments on account thereof and the indebtedness of the Borrower to the Bank.

7. Acceleration

- (a) All indebtedness and liability of the Borrower to the Bank payable on demand, is repayable by the Borrower to the Bank at any time on demand;
- (b) All indebtedness and liability of the Borrower to the Bank not payable on demand, shall, at the option of the Bank, become immediately due and payable, the security held by the Bank shall immediately become enforceable, and the obligation of the Bank to make

further advances or other accommodation available under the Credits shall terminate, if any one of the following Events of Default occurs:

- (i) the Borrower or any guarantor fails to make when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Bank;
- (ii) there is a breach by the Borrower of any other term or condition contained in this Commitment Letter or in any other agreement to which the Borrower and the Bank are parties;
- (iii) any default occurs under any security listed in this Commitment Letter under the headings "Specific Security" or "General Security" or under any other credit, loan or security agreement to which the Borrower is a party;
- (iv) any bankruptcy, re-organization, compromise, arrangement, insolvency or liquidation proceedings or other proceedings for the relief of debtors are instituted by or against the Borrower and, if instituted against the Borrower, are allowed against or consented to by the Borrower or are not dismissed or stayed within 60 days after such institution;
- (v) a receiver is appointed over any property of the Borrower or any guarantor or any judgement or order or any process of any court becomes enforceable against the Borrower or any guarantor or any property of the Borrower or any guarantor or any creditor takes possession of any property of the Borrower or any guarantor;
- (vi) any course of action is undertaken by the Borrower or any guarantor or with respect to the Borrower or any guarantor which would result in the Borrower's or guarantor's reorganization, amalgamation or merger with another corporation or the transfer of all or substantially all of the Borrower's or any guarantor's assets;
- (vii) any guarantee of indebtedness and liability under the Credit Line is withdrawn, determined to be invalid or otherwise rendered ineffective;
- (viii) any adverse change occurs in the financial condition of the Borrower or any guarantor.
- (ix) any adverse change occurs in the environmental condition of:
 - (A) the Borrower or any guarantor of the Borrower; or
 - (B) any property, equipment, or business activities of the Borrower or any guarantor of the Borrower.

8. Costs

All costs, including legal and appraisal fees incurred by the Bank relative to security and other documentation, shall be for the account of the Borrower and may be charged to the Borrower's deposit account when submitted.