

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

BY-LAW NO. 05-640

Being a by-law to authorize the Mayor and Chief Administrative Officer to execute an agreement between the Corporation of the Municipality of Temagami and the Bank of Nova Scotia to borrow money.

WHEREAS under Section 8 of the Municipal Act, 2001, S.O., 2001, c.25, as amended, a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other act;

AND WHEREAS under section 401 (1) of the Municipal Act, 2001, S.O., 2001, c.25, as amended, subject to this or any other Act, 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.

NOW THEREFORE the Council of the Corporation of the Municipality of Temagami hereby enacts as follows:

1. That the Mayor and the Chief Administrative Officer are hereby authorized and directed to execute the agreement attached hereto as Schedule "A" to this bylaw.
2. This bylaw shall come into force and take effect on the 8th day of December, 2005.

BE TAKEN AS READ A FIRST time on this 8th day of December, 2005.

READ A SECOND AND THIRD time and finally passed this 8th day of December, 2005.


MAYOR


CAO/Clerk

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

October 28, 2005
 **Scotiabank Group**

The Corporation of the
Municipality of Temagami

Attn: Clerk Treasurer

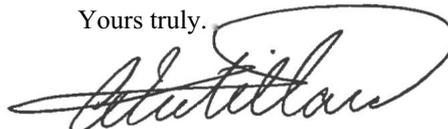
Dear Sir:

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 9, 2005 after which date this offer will lapse.

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

Yours truly,



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 BRIAN KOSKI

By: _____

Title CAO

Date: _____

TERMS AND CONDITIONS

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

TYPE

Operating

PURPOSE

General operating requirements

CURRENCY

Canadian

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: \$855,000

TYPE

Non-Revolving Loan #1

PURPOSE

Fund Municipality's portion of waterworks upgrades (\$697,000) and the building of a fire hall (\$158,000) in Marten River.

CURRENCY

Canadian

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 per annum with interest payable monthly.

DRAWDOWN

Advances are to be made in minimum multiples of \$100,000.

The loan is to be fully drawn down by April 30, 2006.

REPAYMENT

Advances are repayable in 120 equal monthly installments of principal (\$7,125) commencing May 31, 2006, plus interest. The term of the loan is 5 years and the amortization is 10 years.

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):

Advances to be supported by progress certificates from Engineering Consultant and copy of Canada Ontario Infrastructure Claim Form on Waterworks portion.

CREDIT NUMBER: 03 AUTHORIZED AMOUNT: \$125,000

TYPE

Non-Revolving Loan #2

PURPOSE

Acquisition of a Sanding Truck.

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 per annum with interest payable monthly.

DRAWDOWN

The loan is to be fully drawn down by January 31, 2006.

REPAYMENT

Advances are repayable in 59 equal monthly installments of principal (\$2,084) commencing May 31, 2006, plus interest with the balance of principal and interest due in the 60th month. The term of the loan is 5 years and the amortization is 5 years.

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):

Copy of the truck invoice.

CREDIT NUMBER: 04 AUTHORIZED AMOUNT: \$2,000

TYPE

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

PURPOSE

Miscellaneous business expen. u > .

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 avancement 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).

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 calendar year within 120 days of year-end.

SCHEDULE A

ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL CREDIT

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 excess of the 1st 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 in arrears.

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 requirement or any tax (other than tax on the Bank's general income) or any other financial requirement as 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 availability hereunder; (ii) reducing any amount received or receivable by the Bank or its effective return hereunder or in respect of any availability hereunder or on its capital; or (iii) causing the Bank to make any payment or incur any return based on any amount received or receivable by the Bank hereunder or under any availability hereunder, then upon demand from time to time the Borrower shall compensate the Bank for any such cost, reduction, payment or to the extent of the Bank's "Increased Costs" as such amounts are calculated in a certificate reasonably prepared by the Bank.

In the event of the Borrower being liable for such Increased Costs, the Borrower shall have the right to repay in full, without prepayment penalty, the outstanding principal balance under the affected credit other than the face amount of any instrument or commitment issued or accepted by the Bank for the account of the Borrower, in whole or in part, including a Letter of Credit, a Letter of Guarantee or a Bankers Acceptance. Upon prepayment the Borrower shall also pay the then accrued interest on the amount prepaid 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 normal banking practice as such amounts are calculated in a certificate reasonably prepared by the Bank.

4. Environment

The Borrower agrees:

- (a) to obey all applicable laws, regulations, orders, decrees, and ordinances 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 to all premises of the Borrower to monitor and inspect all property, equipment, and facilities of the Borrower;

- (C) to notify the Bank from time to time of any business activity conducted by the Borrower which involves the use of flammable, toxic, or otherwise hazardous materials or wastes or which increases the environmental liability of the Borrower in any material manner;
- (d) to notify the Bank of a violation in the use or occupation of the property of the Borrower prior to any corrective action;
- (e) to provide the Bank with prompt notice of any environmental problem and any hazardous materials which have or may have an adverse effect on the property, equipment, or liabilities of the Borrower and with any other environmental information requested from time to time.
- (f) to conduct all environmental investigations 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 assessments or remedial activities with respect to any investigation or remediation which may be performed for or by the Bank from time to time.

If the Borrower notifies the Bank of a change or provides the Bank with any information pursuant to subsection (1) and the Bank receives any environmental information from other sources, in its discretion, may decide that an adverse change in the environmental condition of the property, equipment, or business activities of the Borrower will constitute, in the absence of manifest error, conclusive evidence of a violation of this Section. If the Bank makes this decision, the Bank shall notify the Borrower of its decision concerning the adverse change.

If the Bank decides or is required to investigate compliance or to verify the Borrower's compliance with applicable environmental regulations, the Borrower shall indemnify the Bank in respect of such investigation. The Borrower shall also indemnify the Bank for any advances by the Bank to the Borrower under this Article.

5. Periodic Review

The obligation of the Borrower to provide further accommodation available under any Credit(s) of the Borrower is subject to change occurring in the financial condition or the environment of the Borrower or any guarantor.

6. Evidence of Indebtedness

The Bank's accounts, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower on account thereof and the indebtedness of the Borrower.

7. Acceleration

- (a) All indebtedness of the Borrower payable on demand, is repayable by the Borrower on demand;
- (b) All indebtedness of the Borrower payable on demand, shall, at the option of the Bank, be payable on demand, and payable, the security held by the Bank shall inure to the benefit of the Bank, and the obligation of the Bank to make

further advance. * < r o c a o n m o d ; u f i o n a i l a l e u n d e r t h e C r e d i t s s h a l l t e r m i n a t e , i f a n y o n e o f t h e f o l l o w i n g e v e n t s o c c u r :

- (i) the Borrower fails to pay when due, whether on demand or at a fixed date, any payment of interest, principal or any other amounts payable to the Bank;
- (ii) there is a breach of any other term or condition contained in this Commitment Letter in any event to which the Borrower and the Bank are parties;
- (iii) any credit facility granted to the Borrower or any guarantor under the heading "Security" or under any other credit, loan or security agreement in which the Borrower or any guarantor is a party;
- (iv) any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings for the relief of debtors are instituted by or against the Borrower and any guarantor, or any proceedings against the Borrower, are allowed against the Borrower or any guarantor by the relevant court and are not dismissed or stayed within 60 days after the commencement of such proceedings;
- (v) any judgment or order of a court of competent jurisdiction becomes enforceable against the Borrower or any guarantor or any property of the Borrower or any guarantor;
- (vi) any action is brought by the Borrower or any guarantor or with respect to the Borrower or any guarantor which would result in the Borrower's or any guarantor's liquidation, reorganization or merger with another corporation or partnership, or the attachment, garnishment or seizure of the Borrower's or any guarantor's assets;
- (vii) any credit facility under the Credit Line is withdrawn, deleted or becomes unenforceable or ineffective;
- (viii) any action is brought against the Borrower or any guarantor;
- (ix) any action is brought against the Borrower or any guarantor in connection with the following conditions:
 - (A) the Borrower is a public company; or
 - (B) the Borrower is engaged in business activities of the Borrower or any guarantor.

8. Costs

All costs, including legal fees, incurred by the Bank in connection with the Credit Line may be charged to the Borrower's deposit account or to the Borrower's credit card.