

THE CORPORATION OF THE CITY OF BROCKVILLE

By-Law Number 124-2003

Being a by-law to authorize the borrowing of \$300,000 upon the issuance of debentures toward the cost of an Environmental Study for the expansion/upgrade of the Water Pollution Control Plant

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 Corporation of the City of Brockville (the "**Municipality**") on •, 2003 has passed resolution numbered 2003-115-04 approving the Capital Budget and authorizing the Environmental Study for the expansion/upgrade of the Water Pollution Control Plant (the "**Project**") on the basis that the Project would require a long-term debt or financial obligation and on •, 2003 confirmed the proceedings of the Council at its meeting held on •, 2003 by passing confirmatory by-law Number 040-2003 and the Municipality now desires to issue debentures for the Project in the principal amount of three hundred thousand dollars (\$300,000) repayable during a term of ten years (10);

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 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 under the *Ontario Municipal Board Act*, as amended, was not required;

AND WHEREAS to provide long-term financing for the Project it is now deemed to be expedient to borrow money by the issue and sale of debentures of the Municipality in the principal amount of \$300,000 payable at the time and bearing interest at the rates hereinafter set forth;

THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF BROCKVILLE AS FOLLOWS:

1. For the Project, the borrowing upon the credit of the Municipality from Hydro One Proceeds Reserve Fund of the principal sum of three hundred thousand dollars (\$300,000) and the issue of debentures therefor within a term of ten years, to be repaid in annual instalments of principal and semi-annual instalments of interest in denominations of \$1,000 and integral multiples thereof as set forth in Schedule "A" hereto annexed and forming part of this By-law ("**Schedule "A"**") are hereby authorized.
2. The Mayor and the Treasurer of the Municipality are hereby authorized to cause any number of debentures payable in annual instalments of principal with semi-annual instalments of interest thereon to be issued for such sums of money as may be required for the Project in global and definitive forms, not exceeding in total the said sum of three hundred thousand dollars (\$300,000) (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. The Debentures

shall initially be issued in a fully registered form as one certificate, in the principal amount of three hundred thousand dollars \$300,000, in the following name: "The corporation of the City of Brockville", the "Hydro One Reserve Fund" (the "**Reserve Fund**"), substantially in the form of Schedule "B" hereto annexed and forming part of this By-law (the "**Reserve Fund Debenture**") with provision for payment of principal and interest (other than in respect of the provision for the final payment of principal and outstanding interest on the final maturity date upon presentation and surrender) by cheque sent by post to the registered address of the registered holder or, if the Municipality and the registered holder of the Reserve Fund Debenture so consent, by electronic transfer of payment in respect of such principal and interest to the credit of such registered holder on such terms as to which the registered holder and the Municipality may agree.

3. (1) The Debentures shall all be dated the 15th day of December, 2003 and shall be issued within two years after the day on which this By-law is enacted, and as to both principal and interest shall be expressed and be payable in lawful money of Canada. The Debentures shall mature within the term of ten years from the date thereof and the respective amounts of principal and interest payable in each of the years in such period shall be as set forth in Schedule "A". The Debentures (and in the case of the Reserve Fund Debenture, the annual amount of principal payable in respect of the Debentures thereunder) shall bear interest of 4.00% from the date thereof, which interest shall be payable semi-annually on June 15 and December 15 in each year of their currency.

(2) Payments in respect of principal of and interest on the Debentures shall only be made on a day on which banking institutions in Toronto, 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 a 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.

4. Interest shall be payable to the date of maturity of the Debentures and on default shall be payable both before and after default and judgment. Any amounts payable by the Municipality as interest on overdue principal or interest in respect of the Debentures shall be paid out of current revenue. 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 days or 366 days, as appropriate.
5. In limited circumstances the Reserve Fund Debenture shall be exchangeable for certificated Debentures in definitive fully registered form in authorized denominations upon surrender of the Reserve Fund Debenture to the Treasurer of the Municipality provided that there is at least one definitive Debenture which matures in each of the remaining years of the currency of the Reserve Fund Debenture. The definitive Debentures shall aggregate the same principal amount as the principal outstanding balance of the Reserve Fund Debenture as of the record date for such exchange in accordance with the provisions of the Reserve Fund Debenture, shall bear the same interest rates and maturity dates, shall bear all unmatured interest obligations and shall have the same benefits and be subject to the same terms and conditions as the Reserve Fund Debenture (except insofar as they specifically relate to the Reserve Fund Debenture). In issuing definitive Debentures no change shall be made in the amount which would otherwise be payable in each year under the Reserve Fund Debenture. The definitive Debentures shall be in fully registered form, payable as to principal and outstanding interest in lawful money of Canada at maturity upon presentation and surrender thereof at any specified branch of the bank

designated in the definitive Debentures, otherwise, with provision for payment of interest by cheque sent through the post to the registered addresses of the registered holders or, if the Municipality and any registered holder of the definitive Debentures so consent, by electronic transfer of payment in respect of such interest to the credit of such registered holder on such terms as to which the registered holder and the Municipality may agree.


6. In each year in which a payment of an instalment of 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 "A" 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.
7. 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.
8. 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.
9. 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 the Debentures, including the Reserve Fund 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.
10. 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, 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.

11. The Mayor and the Treasurer shall issue and deliver new Debentures in exchange or substitution for Debentures outstanding on the registry with the same maturity dates 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 Debenture in respect of which new Debentures are to be issued in substitution.
12. 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 dates 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.
13. 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.
14. 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 interest cheques or 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.
15. 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.
16. (1) The Mayor and the Treasurer are hereby authorized to cause the Debentures to be issued, the Treasurer and the Clerk are hereby severally authorized to generally do all things and to execute all other documents and papers in the name of the Municipality in order to carry out the sale of the Debentures and the Treasurer is authorized to affix the Municipality's municipal seal to any of such documents and papers.

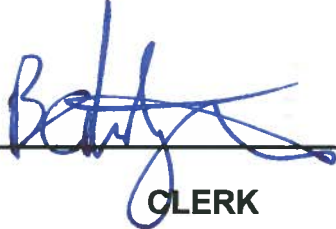
(2) The proceeds realized in respect of the Debentures, after providing for the discount, if any, and the expenses related to their issue, shall be apportioned and applied to the Project, and to no other purpose except as permitted by the Act.

17. Subject to the Municipality's investment policies and goals and the applicable legislation, the Municipality may, if not in default under the Debentures, at any 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.
18. This By-law comes into force on the day it is passed.

GIVEN UNDER THE SEAL OF THE CORPORATION
OF THE CITY OF BROCKVILLE AND PASSED
THIS 25TH DAY OF NOVEMBER, A.D., 2003



MAYOR



CLERK

DEBENTURE NO. 1

CANADA
PROVINCE OF ONTARIO

\$300,000

The Corporation of the
City of Brockville

FULLY REGISTERED DEBENTURE

THE CORPORATION OF THE CITY OF BROCKVILLE (the "Corporation"), for value received, hereby promises to pay

**CITY OF BROCKVILLE
HYDRO ONE PROCEEDS RESERVE FUND**

or registered assigns, upon presentation and surrender of this debenture,
the principal sum as set forth in **Schedule "A"** hereto annexed
and forming part of this debenture

in lawful money of Canada at the principal office of Bank of Montreal in the City of Brockville or at the principal office of the said Bank in either of the Cities of Toronto or Montreal, at the holder's option, and to pay interest thereon, both before and after default and judgement, from the 15th day of December or the 15th day of June, as the case may be, next preceding the date of registration set forth hereon, or from the date of such registration if it be the 15th day of December or the 15th day of June at the rate of

*****4.00%*****

semi-annually on the 15th day of June and the 15th day of December in each year of the currency of this debenture on the principal amount outstanding in each year as set forth in **Schedule "A"** hereto annexed and forming part of this debenture. Payment of interest will be made by direct deposit to the registered holder and every such payment will be payable to the order of the registered holder to whom it is sent.

The Corporation will cause to be kept at its office in the City of Brockville in the Province of Ontario, Canada, a debenture registry in which shall be entered the names and addresses of the holders of fully registered debentures and particulars of the debentures held by them respectively and in which transfers of fully registered debentures may be registered.

This debenture is transferable upon presentation for such purpose accompanied by a written instrument of transfer in form approved by the Corporation, executed by the registered holder hereof or by the duly authorized attorney of such registered holder.

The Corporation shall not be required to make any transfers or registrations of any debentures for a period of thirty (30) days preceding any interest payment date.

DATED at the City of Brockville in the Province of Ontario, the day of
2003.

IN TESTIMONY WHEREOF and under the authority of By-law Number of
the Corporation duly passed on the day of , 2003, this debenture is sealed
with the corporate seal of the Corporation and is signed by the Mayor and the Treasurer
thereof.

Mayor

Treasurer

THE CORPORATION OF THE CITY OF BROCKVILLE
SCHEDULE "A" TO BY-LAW NUMBER

ENVIRONMENTAL STUDY FOR THE UPGRADE / EXPANSION OF THE WATER POLLUTION CONTROL PLANT						
DEBT FILE: F4010						
PRINCIPAL AMOUNT OF ISSUE:		\$300,000.00		TERM IN YEARS:		10
CITY OF BROCKVILLE		DEBENTURE ISSUE				
SCHEDULE OF PRINCIPAL and INTEREST PAYMENTS						
YEAR	PRINCIPAL	INTEREST RATE	SEMI-ANNUAL INTEREST	SEMI-ANNUAL INTEREST	ANNUAL PAYMENT	
0						
1	24,987.28	4.000%	6,000.00	6,000.00	36,987.28	
2	25,986.77	4.000%	5,500.25	5,500.25	36,987.28	
3	27,026.25	4.000%	4,980.52	4,980.52	36,987.28	
4	28,107.30	4.000%	4,439.99	4,439.99	36,987.28	
5	29,231.59	4.000%	3,877.85	3,877.85	36,987.28	
6	30,400.85	4.000%	3,293.22	3,293.22	36,987.28	
7	31,616.88	4.000%	2,685.20	2,685.20	36,987.28	
8	32,881.56	4.000%	2,052.86	2,052.86	36,987.28	
9	34,196.82	4.000%	1,395.23	1,395.23	36,987.28	
10	35,564.70	4.000%	711.29	711.29	36,987.28	
TOTAL	300,000.00		34,936.42	34,936.42	369,872.83	

CONDITIONS OF THE RESERVE FUND DEBENTURE

Form, Denomination and Ranking of the Reserve Fund Debenture

1. The debentures issued pursuant to the Debenture By-law (collectively the “**Debentures**” and individually a “**Debenture**”) are issuable as fully registered Debentures without coupons in denominations of \$1,000 and integral multiples thereof.
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 a one fully registered Reserve Fund Debenture registered in the name of The Corporation of the City of Brockville Hydro One Proceeds Reserve Fund (the “**Reserve Fund**”) and held by the Reserve Fund.

Registration

4. The Municipality will keep at its designated office in the City of Brockville a registry in which shall be entered the names and addresses of the registered holders of Debentures and particulars of the Debentures held by them respectively and in which transfers, exchanges and substitutions of Debentures may be registered.

Title

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 Reserve Fund 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.

Payments of Principal and Interest

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 a 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 annual principal and semi-annual interest on the Debentures on each Payment Date commencing on June 15, 2004 (other than in respect of the final payment of principal and outstanding interest on the final maturity date which shall be paid upon presentation and surrender of this Reserve Fund Debenture), by forwarding by post, a cheque dated the due date for payment to the registered address of each registered holder of Debentures sufficiently in advance of the relevant due date that delivery of such cheques to the registered address of each registered holder on or before the due date is reasonably assured. All cheques mailed or otherwise delivered in accordance with this section shall be dated the due date for payment of the interest or of the principal and interest in respect of which they are issued. Despite the foregoing, the Municipality may make payments in respect of principal and interest on any Debenture (other than in respect of the final payment of principal and outstanding interest payable on maturity upon presentation and surrender) to the credit of the registered holder of that Debenture, by electronic transfer of payment in respect of such interest and principal to the credit of the registered holder on such terms as to which the registered holder and the Municipality may agree.
8. 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 days or 366 days, as appropriate.
9. Payments in respect of principal of and interest on the Debentures shall be made only on a day on which banking institutions in Toronto, 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 a 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.
10. 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.
11. In the case of the death of one or more joint registered holders, despite section 5 of these Conditions, 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.

Transfers, Exchanges and Substitutions

12. 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 Debentures in exchange for or in substitution for Debentures outstanding on the registry with the same maturity dates and of like form which have become lost, stolen, mutilated, defaced or destroyed provided that the

applicant therefor shall have (i) paid such costs as may have been incurred in connection therewith; (ii) (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 (iii) surrendered to the Municipality any mutilated or defaced Debenture in respect of which new Debentures are to be issued in substitution.

14. Each Debenture executed and delivered upon any registration of transfer or exchange for or in substitution for any Debenture or part thereof shall carry all the rights to interest, if any, accrued and unpaid which were carried by such Debenture or part thereof and shall be so dated.

15. The Municipality shall not impose any fees in respect of the Debentures, in the normal course of business, other than reasonable fees for the issue of new Debentures or for the issue of new cheques in substitution for lost, stolen, mutilated, defaced or destroyed Debentures, interest cheques or principal and interest cheques.

Purchases

16. Subject to the investment policies and goals of the Municipality and the applicable legislation, the Municipality may, if not in default under the Debentures, at any time purchase 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.

Notices

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 a Business Day (as defined in section 9 of these Conditions) then such notice may be given on the next following Business Day.

Time

18. Unless otherwise expressly provided herein, any reference herein to a time shall be considered to be a reference to Toronto time.

Governing Law

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.