

**A bylaw relating generally to the transaction of the business and affairs of
EASTERN IRRIGATION DISTRICT
(the "District")**

BORROWING POWER

- A. WHEREAS Section 44(1) of the *Irrigation Districts Act* (the "IDA") permits the District borrowing money if the borrowing is authorized by bylaw under section 177(2)(l) of the *IDA*.
- B. AND WHEREAS Section 177(4) of the *IDA* states that a bylaw passed under subsection (2)(l) must
- (a) Set out the maximum amount of money to be borrowed and, in general terms, the purpose for which the money is borrowed.
 - (b) Set out the maximum rate of interest, the term and the terms of repayment of the borrowing, and
 - (c) Set out the source or sources of money to be used to pay the principal and interest owing under the borrowing.
- C. AND WHEREAS the District has joined with a consortium of other irrigation districts, namely the Bow River Irrigation District, the Eastern Irrigation District, the Lethbridge Northern Irrigation District, the Raymond Irrigation District, the Taber Irrigation District, the United Irrigation District, and the Western Irrigation District (the "**Consortium**") to create a combined group of modernization and reservoir projects (the "**Projects**") to access borrowed funds and government grants to leverage funds of the Consortium districts for the construction of the Projects.
- D. AND WHEREAS the Consortium has agreed to proceed individually with modernization and reservoir projects which collectively total an estimated design and construction cost of \$815 million dollars.
- E. AND WHEREAS the Consortium intends to form a special purpose vehicle, incorporated under the Alberta *Business Corporations Act*, **IRRIGATING ALBERTA INC.**, (the "**SPV**") whose sole purpose is to hold and disperse grant funds and loan funds for use by the Consortium districts to design and construct the Projects and to receive money from the Consortium districts to repay the loans, and all other matters incidental to the Projects.
- F. AND WHEREAS the Canada Infrastructure Bank, a federal Crown corporation incorporated under the *Canada Infrastructure Bank Act* (the "**CIB**") wishes to make a senior secured term loan to the SPV (the "**CIB Loan**") which loan proceeds may be further used by the Consortium for the purposes of funding the modernization of existing irrigation infrastructure of the Consortium in the Province of Alberta, as well as the expansion of and creation of new off-stream water storage reservoirs in four of the Consortium Districts in the Province of Alberta;
- G. AND WHEREAS Her Majesty the Queen in Right of Alberta as Represented by the Minister of Agriculture and Forestry ("**GOA**") through its agri-food Sector investment and Growth strategy has agreed to provide a grant to the SPV, which proceeds may be further used by the Consortium, in the sum of \$244.5 Million (the "GOA Grant");
- H. AND WHEREAS each of the Consortium districts has agreed to contribute their proportionate share of a total Consortium contribution to the Project costs in aggregate of \$163 Million (the "**Equity**").
- I. AND WHEREAS the aggregate original principal amount of the CIB Loan is \$407,500,000 for a term of 35 years, at a

fixed interest rate of 1% per annum, subject to escalation for interest payment deferral accommodations and for default, with a maximum deferral interest rate of 3% per annum;

- J. AND WHEREAS the SPV shall be the sole borrower of the CIB Loan and shall be required to grant certain security to CIB for the CIB Loan, including a charge on the SPV's bank accounts, security on all assets of the SPV (including its contract rights in its Consortium and GOA funding agreements), and in connection with such security, step-in rights to lending agreements between the SPV and each of the Consortium Districts;
- K. AND WHEREAS the District wishes to design and construct irrigation works (the "**District Projects**") to expand its water conveyance network and to provide enhanced water security for its Irrigators, and to allow for an increase in Irrigation Acres within the District, which project list is appended to this Bylaw as **Appendix "A"**;
- L. AND WHEREAS the District Projects consist of modernization projects with an approximate design and construction cost of \$22,312,000 and off stream reservoir expansion with an approximate design and construction cost of \$218,600,000 (the "**New Assets**")
- M. AND WHEREAS the District wishes to borrow its proportionate share of the CIB Loan funds from the SPV and the SPV wishes to make available such funds to the District ("the "**SPV Loan**") to assist the District to design and construct the New Assets, which SPV Loan will be documented in a funding agreement (the "**SPV Agreement**");
- N. AND WHEREAS the District understands that in order to provide the SPV Loan to the District, the SPV is required to use funds provided to the SPV by CIB through the CIB Loan;
- O. AND WHEREAS the District has determined that the SPV Loan will exceed the debt limit of the District as set out in section 2(b) of the *Irrigation General Regulation*, AR 78/2000, and as such an approval of this bylaw by the Minister under section 44(2) of the *Irrigation Districts Act* is required before this Bylaw becomes effective;
- P. AND WHEREFORE in consideration of the SPV Loan, the SPV requires the District to provide certain repayment covenants, revenue pledges, security interests in such revenues and accounts, and step in rights to the SPV to support the SPV Loan and to provide certain security in favour of CIB to support the SPV's obligations to CIB under the CIB Loan, including a pledge of the District's equity interest in the SPV and a guarantee of the District's notional proportionate share of the CIB Loan in support of such equity pledge;

NOW THEREFORE BE IT ENACTED in accordance with the *IDA* referred to above:

- (a) The maximum amount of money to be borrowed by the District from the SPV is \$120,456,000 (the "**SPV Loan**").
- (b) The money is to be used for the design and construction and related costs of the District Projects in **Appendix "A"**, including but not limited to feasibility studies and evaluation, planning, design, procurement and construction of the New Assets, including water efficiency studies and evaluations, determination and estimation of potential Additional Acres attributable to the Projects, and all eligible costs as defined in the IRP Administration Manual, and any and all other costs, expenses, and purposes associated with all aspects of the District Projects.
- (c) The base rate of interest of the SPV Loan is 1% per annum;

Eastern Irrigation District

BYLAW 947 (2020)

Being a Bylaw relating generally to the Transaction of the Business and Affairs of the Eastern Irrigation District

- (d) The base term of the SPV Loan is 35 years, with the primary obligation to have the SPV Loan fully repaid by year 35;
- (e) The terms of the SPV Loan provide for interest deferrals during construction with interest step ups of up to 3% per annum on overdue unpaid amounts;
- (f) The terms of the SPV Loan also provide for a renewal and extension at year 25 or year 35, as determined by the terms of the SPV Loan;
- (g) The source for repayment of the principal and interest to the SPV shall be Incremental Revenues as defined below, excepting that should current financial modeling predict that the Incremental Revenues not be sufficient to repay the SPV Loan on or before the 35 year term, then the sources of repayment of the principal and interest of the loan shall be, subject to terms satisfactory to District, expanded to include the District's general revenues and reserves;
- (h) Subject to terms satisfactory to the District, as security for the SPV Loan, the District will provide the SPV:
 - i. a pledge of the annual amount from capital assets charges levied on additional irrigation acres added as a result of the New Assets ("**Additional Acres**"), 100% of the irrigation rates received on Additional Acres, plus all other rates, charges, surcharges, fees, or other operating revenues directly attributable to the District Projects, (the "**Incremental Revenues**") to the SPV such Incremental Revenues which will be used by the SPV to repay the SPV's obligations under the CIB Loan;
 - ii. an irrevocable, non-exclusive Right of Use to the SPV of each New Asset, while continuing to enjoy rights of quiet enjoyment of the New Asset to the extent there is no default in its obligations of the SPV or any event of default between SPV and CIB which entitles CIB to step into the SPV Agreement;
 - iii. security over any works developed or expanded using the SPV Loan, as may be requested and required time to time by the SPV, whether or not at the direction of CIB;
 - iv. security to the SPV of specified construction related contracts of the District, as may be requested and required time to time by the SPV, whether or not at the direction of CIB;
- (i) Further and subject to terms satisfactory to the District, the District will provide certain security for the benefit of CIB in support of the CIB Loan which will include:
 - i. a limited recourse guarantee in favour of CIB equal to the District's proportionate share of the SPV's obligations to CIB which shall be equal to the amount of the SPV Loan to the District;
 - ii. a pledge in favour of CIB any equity, or a loan to the SPV in the form of a Permitted

Eastern Irrigation District
BYLAW 947 (2020)

Being a Bylaw relating generally to the Transaction of the Business and Affairs of the Eastern Irrigation District

Subordinated Debt or similar interests it has in the SPV; and

- iii. an estoppel certificate in favour of CIB acknowledging the SPV's assignment of the SPV Agreement to CIB as collateral security for the CIB Loan; and certain other matters set out in the CIB Loan documentation; and
 - iv. such other documents, agreements, certificates, waivers, consents, postponements or instruments as may be contemplated by, or required to give effect to the terms of the SPV Loan which is hereby approved.
- (j) Notwithstanding (g), (h) and (i) above, the District's obligations to the SPV are several, and not joint and several with the other Consortium districts who will have separate loan agreements with the SPV.
- (k) On terms satisfactory to the District, the District will execute or cause to be executed all such further deeds, documents, and instruments as may be reasonably necessary by the SPV, whether or not at the direction of CIB, for the purpose of fulfilling its obligations under the SPV Agreement, including supporting those obligations of the SPV to CIB under the CIB Loan.
- (l) This bylaw becomes effective on the date it is approved by the Minister of Agriculture and Forestry pursuant to section 44(2) of the IDA.

Read the first time this 3rd day of December 2020.

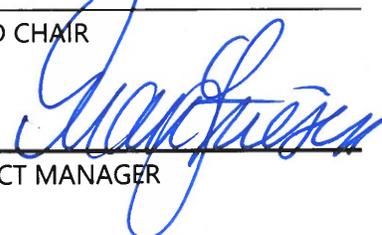
Read the second time this 3rd day of December 2020.

Read the third time this 7th day of December 2020.

PASSED by the Board of Directors in accordance with Section 177(2)(l) of the *Irrigation Districts Act* this 7th day of December 2020.



BOARD CHAIR



DISTRICT MANAGER

Approved by the Minister of Agriculture and Forestry in accordance with Section 44(2) of the *Irrigation Districts Act* this ____ day of December 2020.

Hon. Devin Dreesen, Minister
Alberta Agriculture and Forestry