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August 12, 2016

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VIA E-MAIL

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Dear Mr. Nagy and Ms. Leung:

RE: Clearing and Depository Services Inc. ("CDS") Proposed Amendments to CDS Fee Schedules

I write with respect to the Notices and Requests for Comment published on July 14, 2016 by the Ontario Securities Commission ("OSC") in respect of proposed amendments to the CDS Fee Schedule re: ISIN Issuance and Eligibility Services ("Issuance Services Notice") and Entitlements and Corporate Action Events Management ("E&CA Services Notice" and, collectively, the "2016 Notices").

As you know, we act on behalf of the municipal corporations identified in Schedule "A" attached (the "Municipalities") and have previously offered submissions on behalf of the Municipalities in relation to CDS's Notice and Request for Comment dated November 13, 2014 ("2014 Notice"). Those submissions substantially apply to the 2016 Notices.

Please accept this letter as the submission on behalf of the Municipalities in relation to the 2016 Notices.

CDS is required by Section 2.1 of the OSC's Recognition Order dated July 4, 2012, as amended and restated, to carry out its business and operations in the public interest. As set out in the relevant legislation and reiterated in Canadian Securities Administrators Multilateral Staff Notice 24-313 ("CSA Staff Notice"), it is the public interest which must guide the assessment of the OSC, the British Columbia Securities Commission (the "BC Commission") and the Autorité des marchés financiers (the "Québec Commission") (collectively the "Commissions") in the assessment of CDS's 2016 Notices.

Although CDS has withdrawn the 2014 Notice and undertaken some consultation with stakeholders, including municipalities, the combined effect of the 2016 Notices is to

propose an increase in fees on municipalities as issuers of public debt which would place an undue burden on the municipal sector and would not be in the public interest.

We offer five broad submissions:

1. Municipalities are in a unique position in the Canadian capital markets as public sector issuers and the majority of the Municipalities issue serial debentures;

2. CDS's proposed E&CA Services Fees are categorically unfair to municipal issuers;

3. CDS's proposed fees cannot be fully assessed because they are not described in plain English and the circumstances in which they apply are unclear;

4. CDS has not released sufficient data to date to allow for meaningful analysis of key factors set out in the CSA Staff Notice; and

5. The CDS Fee Schedule should itself contain a "grandfathering" provision that exempts securities issued prior to the effective date of any approved new fees regardless of the terms of the BEO SSA and any Riders thereto.

For these reasons, elaborated upon below, the Municipalities maintain their position in respect of the 2014 Notice and urge the OSC and the other Commissions to convene a joint public hearing in respect of the 2016 Notices.

In the absence of such a hearing, the Commissions should each reject the E&CA Services Fees in respect of municipalities or authorize a tiered discount model for sovereign issuers in respect of any issuance fees as described below.

1. Municipalities are Unique in the Canadian Capital Markets

As set out in the CSA Staff Notice, the relevant principles for the regulators to consider in approving any change in the CDS Fee Schedule include fair access to CDS's services and equitable allocation of fees and costs. Accordingly, in considering CDS's proposals contained in the 2016 Notices, the OSC should consider any differential impact the proposed fees will have on the municipal sector.[1]

Relevant Restrictions on Municipalities

Municipalities are in a unique position as compared to other participants in the debt capital markets. They generally issue straightforward debentures; the majority of the Municipalities issue serial debentures, which provide for semi-annual interest and annual principal payments at maturity. As you know, like the Province, municipalities are

[1] The following submissions are drawn from the submissions offered on behalf of the Municipalities contained in our correspondence of July 2, 2015 containing the Municipalities' submissions in respect of the 2014 Notice.

exempt from prospectus and registration requirements under the Ontario *Securities Act*.[2] As we have previously discussed, this results from a number of factors, including the relatively small size of the market for municipal debentures in Canada, as well as the relatively small size of any given municipal issue. However, a major factor in this practice is the significant legislative restrictions on municipalities' ability to utilize or issue financial instruments that are otherwise available to corporate and other issuer groups.

Although the case of Ontario municipalities is illustrative of these restrictions, similar practical restrictions apply to the municipalities across Canada. The power of most Ontario municipalities to borrow money through the issuance of debentures is set out in the *Municipal Act, 2001* (the "Act") and its regulations.[3] Unlike most other participants in the debt capital markets, municipalities are creatures of statute, subject to the doctrine of *ultra vires* in respect of their powers to borrow.[4] Borrowing transactions or activities that are not within their legislative authority are void.

Ontario municipalities also have limited prescribed financial powers and are subject to a legislative regime that provides a number of safeguards for lenders, including a default regime separate and apart from the *Bankruptcy and Insolvency Act*.[5]

Ontario municipalities can only issue debentures or other prescribed financial instruments for long-term borrowing in order to provide financing for a capital work.[6] They cannot apply proceeds from debentures towards the payment of current expenditures.[7] The term of any such debenture cannot exceed the life of the capital work for which it was issued.[8]

Ontario municipalities are required by law to effectively issue only straightforward debentures[9]. They are specifically authorized to issue debentures that provide for repayment of principal in annual instalments and interest payments in one or more

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[2] *Securities Act*, R.S.O. 1990, c. S-5, s. 35 (1)(2) (ii) and 73 (1)(a)).

[3] The City of Toronto is subject to the City of Toronto Act, 2006, S.O. 2006, c.11 (the "COTA") (and the regulations thereunder) which authorize the City of Toronto to borrow through the issuance of debentures. The *Tax Increment Financing Act, 2006*, S.O. 2006, c 33, Sch. Z-7 also authorizes prescribed municipalities to borrow for prescribed purposes through tax increment financing bonds in designated tax increment finance districts. Our understanding is that the Province in 2007 intended to issue a regulation under the *Tax Increment Financing Act, 2006* to, amongst other things, set out the requirements of the mandated feasibility studies. To date no such regulation has been made under that Act.

[4] Although sections 9, 10 and 11 of the Act grant municipalities the powers of a natural person in other respects, s. 17(b) specifically provides that those powers do not include the power to "borrow or invest money or sell debt".

[5] See Part III of the *Municipal Affairs Act*, R.S.O. 1990, c. M-4.

[6] Act, s. 408(2.1).

[7] Act, s. 413 (1).

[8] Act, s. 408(3).

[9] The Act authorizes specific types of debentures. Specific authorized types of debentures include the following: instalment (serial) debentures (s. 408(4)); amortizing debentures (s. 408(4)); construction financing debentures (s. 408(4)(d) and O.Reg. 278/02); refinancing debentures (s. 408(5)); sinking fund debentures (s. 409); term and retirement fund debentures (s. 409); foreign currency debentures (s. 411 and O.Reg. 247/01) and variable interest rate debentures (s. 412(5) and O.Reg. 247/01).

instalments per year.[10] Municipalities can also issue "bullet" (sinking fund) debentures, where principal is repaid as a lump sum at the end of the term of the debenture.[11] These debentures do not involve re-registrations.

However, most of the Municipalities in practice issue only serial debenture because, among other reasons, of the requirement that debentures not exceed the life of the relevant capital work. Serial debentures allow the aggregation of various capital works with differing "lives" in one debenture issue in circumstances where the amount required to be borrowed for any one capital work would not be sufficiently large to attract investors in the capital markets. Serial debentures typically constitute the lowest cost of funds while best matching the financing over the lifetime of the relevant capital work. Serial debentures strike a balance between the amount to be borrowed, the cost of funds and the lifetime of the relevant capital work while appealing to a broad spectrum of investors.

If a municipality is to issue a bullet debenture, it must provide for the creation of a sinking fund, into which the municipality must make payments annually and manage in a way that ensures that it has sufficient assets to satisfy any principal payments due at the end of the term of any such debenture. As discussed at our last meeting, such a fund involves significant administrative cost and complexity which only the largest municipalities, like the City of Toronto and York Region, amongst others, have the resources to administer. Most municipalities thus issue serial debt.

The creditors of Ontario municipalities have significant assurances that those debentures will be repaid. Municipalities are accountable to the public and their budgeting process is open and transparent for all creditors to see.[12] Significantly, municipalities must adopt and run balanced budgets.[13] Municipalities must levy sufficient taxes to meet their budget needs (including repayment of debentures) and they cannot engage in deficit financing.[14]

All municipal debentures must be issued pursuant to express authority under a by-law passed by its council or authorized delegate(s). Once issued, a borrowing by-law cannot be altered so as to diminish the amount to be raised thereunder until the debt and interest have been paid.[15]

Ontario municipalities borrow on a long-term basis subject to a prescribed debt limit,[16] equal to 25% of most of the municipalities' own source revenue from taxation and user

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[10] Act, s. 408(4).
[11] Act, s. 409.
[12] Act, ss. 238 (2.1), 239 (5) and 270(1).
[13] Act, ss. 289 (2) and 290 (2).
[14] Act, ss. 289 (1), 290 (1) and 291.
[15] Act, s. 414(1).
[16] Act, s. 401, O.Reg. 403/02.

fees.[17] A municipality cannot undertake any new capital project that will be long-term financed if, as a result of doing so, it would exceed that debt limit.[18]

Municipalities should not pay for 'innovations' from which they cannot benefit

Given the highly regulated and otherwise unique characteristics of municipal debt issuance in Canada canvassed above, municipalities primarily issue "plain vanilla", serial debt. Accordingly, the OSC should closely scrutinize one of CDS's key justifications for its proposed E&CA Services Fees: i.e. that "Service fees should provide economic incentives to encourage market innovation and more standardized and automated transaction processing".[19]

An equitable system of fees might very well appropriately take into account that, with greater resources, CDS might innovate and, for instance, offer new types of services. However, given the Municipalities' prescriptive legislative regime and the straightforward nature of municipal securities issuance in Canada, municipalities would not benefit from any such innovations.

Accordingly, any revisions to the CDS Fee Schedule should take into account the differential value from the payment of those fees that will accrue to various stakeholders, including municipalities. Municipalities, as public entities funded by local taxpayers, should not be subsidizing broader capital market innovation from which they cannot benefit.

CDS itself recognizes the principle that municipalities' unique position requires differential treatment

CDS has recognized in principle the unique position of both sovereign issuers generally and municipalities in particular. For example, in respect of municipalities, CDS's E&CA Services Notice proposes to waive agency fees in respect of interest payments for serial bonds.

CDS's E&CA Services Notice also proposes "grandfathering" of governmental debt (an issue addressed in detail, below). Further, as you will have seen from our submissions in respect of the 2014 Notice, CDS has signalled its intention to create a separate "Sovereign Rider" to govern issuer services with municipalities and other sovereign issuers (an issue addressed below).

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[17] The City of Toronto is not subject to the Act and so not subject to the provincial debt limit that applies to other Ontario municipalities. It is instead subject to the COTA. It has adopted and conducts its financial affairs in accordance with the policy that it has adopted and maintained in accordance with s. 212 of the COTA with respect to the financing of capital works, including the limits on the annual costs associated with such financing. Although the City of Toronto has broader powers in respect of the types of securities that it can issue to long-term finance its capital works, like other Ontario municipalities, its borrowing powers are subject to the doctrine of *ultra vires*.

[18] Except with prior approval of the Ontario Municipal Board: O. Reg. 403/02. A slightly different regime applies to York Region.

[19] E&CA Services Notice, p. 7.

Accordingly, it is inappropriate (as set out below) that CDS's recognition of the straightforward nature of municipal securities issues has not been carried through to CDS's proposals in respect of the E&CA Services Notice

2. The proposed E&CA fees unfairly burden municipalities

The Municipalities continue to object to the E&CA Services Fees set out in the E&CA Services Notice. While CDS has made some small effort to recognize the disproportionate effect of these fees since it issued the 2014 Notice, the current proposal still proposes to charge municipalities in a fashion that will have a disproportionate impact on them as issuers of serial debt for a public benefit.

As a preliminary matter, CDS describes E&CA 'services' in broad terms, offering a number of examples: the dissemination of information from issuers to securities holders, administration of "corporate action" events such as mergers and acquisitions, administration of periodic payments to securities holders, enabling of participation in issuer dividend reinvestment programs (DRIPs) and enabling collective action in respect of issuers in certain limited circumstances such as restructuring of debt.

While this list of services may very well be of some value to corporate or other issuers with complex or unique securities, only one of these services could be of any value to municipal bond issuers: i.e. the basic facilitation of principal and interest payments. Municipal issuers do not need and do not take advantage of notifications, undertake "corporate action" events, or engage in DRIP programs.

While it may be that some of these "events" can fairly be characterized, as CDS does, as involving a "significant event management effort",[20] the simple payment of periodic principal and interest amounts on municipal (serial and other) debt is not one of them.

Given that municipalities issue only straightforward debentures (whether in bullet or serial form), they derive no benefit from any of these "services" described by CDS. All interest and maturity payments in respect of municipal debentures are calculated by municipalities' underwriters, checked by municipal staff, approved by municipal councils (or their delegates), recorded in the global debentures held in the CDS system and paid directly by municipalities to CDS, in accordance with the schedule of payments recorded in the global debentures. Neither "announcement" nor "monitoring" is required in the context of the straightforward, largely automated payment process associated with municipal debentures.[21]

In making payments on behalf of municipal issuers, CDS need not undertake any calculations, match them against those of any agents or resolve any discrepancies. There could be no simpler task than receiving funds from a municipality and passing those funds on to Participants of the CDS system for transmission to debenture holders at dates and in amounts that are fixed at the origination of the security.

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[20] E&CA Notice, p. 5.
[21] E&CA Notice, p. 7.

In general, a benefit does accrue to sovereign issuers (including municipalities) from using an indirect holding system like that offered by CDS.[22] While that justifies some fee for the service, it alone cannot justify the imposition of a significant new fee to each individual payment, particularly where the total cost of that fee will be disproportionately felt by municipalities the majority of whom, as noted above, issue primarily serial debt.

CDS has, appropriately, acknowledged this disproportionate impact on municipal serial issuers. However, its solution to this disproportionate impact is inadequate. CDS proposes to now charge a $50 paying agent fee and a $100 event management fee for interest and for maturity payments but has proposed to waive the paying agent fee associated with interest payments for serial debentures. Regrettably, it has not proposed to waive the paying agent fee associated with maturity payments for serial debentures or associated with interest and maturity payments for other types of municipal debentures.[23]

Notwithstanding this concession, the imposition of fees for each payment of interest or principal disproportionately impacts municipal serial issuers. Attached as Schedule "B" is a table that compares the estimated impact of the proposed E&CA fees for plain vanilla, serial debentures with bullet debentures.

As you will see a simple serial debenture will incur exponentially more fees than a bullet structure of otherwise similar terms.

This impact is compounded for municipal serial issues which typically have a relatively small notional size in comparison to bullet issues which can range from $100 million to several billions of dollars. CDS's proposed fee structure will result in the smallest issuers bearing significantly higher fees compared to larger issuers, in particular corporate issuers, who have the ability to generate profits, unlike municipalities (and other sovereign issuers) who generally operate on a cost-recovery basis..

Further, the exceedingly simple nature of the payments to be made under municipal debentures also does not justify the imposition of a fee (whether labelled "event management", "paying agency" or otherwise) that is 10 times the $10 fee that appears to be proposed in the case of money market interest and maturity "events".

However, if CDS can pass along interest and maturity payments on money market securities for a fee of $10, it is difficult to understand why it should cost $100 to do the same in respect of any municipal (or other similarly simple) debenture. CDS has not provided any explanation of the apparently 10-fold increase in complexity associated with the basic administrative task of receiving payments from municipal issuers and passing them along to Participants (who are then responsible for passing those payments on to their clients).

It is on the basis of the increased administrative burden associated with non-Participant issuers that CDS justifies its proposed Eligibility Administration Fee of $475 as

[22] E&CA Notice, p. 7.
[23] E&CA Notice, p. 3.

compared to the $20 Money Market ISIN Activation fee. CDS suggests that the process for money market securities in respect of eligibility is largely automated.[24] The simple payment of interest and maturity "events" is similarly automated (or should be), as the dates and amounts of the payments are known at the inception of the security.

CDS does not propose to provide any additional services to municipalities as a result of its proposed new E&CA fee characterized as an "Event management-Paying agent" fee.

CDS suggests that issuers have the option of, for instance, retaining a paying agent instead of paying the "paying agent" fee. However, in the context of "plain vanilla" securities like those issued by municipalities, there is no need for a paying agent whose only potential role would be to act as an intermediary between CDS and the municipal issuer.

Municipalities act as their own paying agents when they transfer funds to CDS directly, at pre-set amounts and at pre-set dates. CDS's only role is to pass those funds on to Participants who ultimately then distribute them to beneficial holders of the securities.

There is simply no "value added" to the Municipalities by CDS charging a "paying agent" fee. This should be seen for what it is: simply a new fee that CDS proposes to impose on municipalities that do not retain paying agents.

3. CDS's proposed fees are unclear and are consequentially difficult to assess

The Municipalities also urge the OSC and the other Commissions to look very closely at all of the fees proposed by CDS to ensure that they can be readily assessed.

CDS's proposed E&CA Services Fees are not described in plain English and so cannot be readily understood. For example, "Event management – Mandatory no option" and "Event management – With choice". Will Municipalities' serial bonds be subject to such fees, in addition to the proposed Event management – interest and Event management – principal fees? The Municipalities and the Commissions should clearly understand the circumstances in which certain fees would be applicable, both now and upon implementation.

This lack of clarity extends to the relationship of the proposed fees to existing fees which are already charged by CDS, including to Participants.

CDS seeks to justify its proposed new E&CA fees in part on the basis that it is more fair to charge issuers for events on the basis that the benefits accrue to them.[25] CDS's discussion of this issue is carefully worded: "CDS considered charging E&CA Service fees only to Participants instead of to issuers". It does not suggest, for instance, that it will now cease to charge Participants for events or otherwise. Indeed, while unclear from the text of the E&CA Services Notice, it appears that the paying agent and other event management fees now proposed to be charged to the Municipalities and other issuers are

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[24] Issuance Services Notice, p. 4.
[25] E&CA Notice, p. 8.

in addition to the fees for these exact same events charged to Participants who, as CDS puts it, "pay for the distribution of payments to their accounts".

If "provision of sufficient resources to CDS" should be a relevant factor in analyzing CDS's proposal,[26] then CDS should explain clearly the amounts it receives from Participants in respect of the "events" for which it now proposes to charge fees to municipalities and other issuers.

4. Data released by CDS to date cannot allow for meaningful benchmarking

Among the relevant factors for the assessment of CDS's fee proposals identified in the CSA Staff Notice were several related to the profitability of CDS (including "the projected change in revenue for CDS" and "historic and projected costs of CDS in providing the particular service") as well as "how the proposed fees benchmark to fees for comparable services in other jurisdictions".

As with the 2014 Notice, the 2016 Notices seek to justify the changes in the CDS Fee Schedule with reference to CDS's operating deficit, its need for "innovation" and its comparability with other national clearing services. It is difficult for stakeholders such as the Municipalities to assess the reliability of CDS's submissions in this regard given the nature and extent of data that CDS has provided. By way of example, CDS indicated that it has an approximately 50 percent revenue shortfall in the provision of "E&CA event management processes".[27] Firstly, it is unclear whether this includes costs associated with all events or which events make up what portion of this cost. Second, it is unclear how much revenue the proposed E&CA Services Fees will generate.

This is information that the Commissions should direct be made available for public comment.

On July 13, 2016, CDS released on its website a Pricing Review prepared by Butterhill & Associates dated March 26, 2016 ("2016 Pricing Review"), without any of its Appendices. It appears that the 2016 Pricing Review was the basis of some of the references to international comparators in the 2016 Notices. Unfortunately, while the 2016 Pricing Review does refer to some comparable fees from some of the comparators, it focuses on ordinal ranking of the comparators, making anything other than high level comparisons impossible. CDS should publicly release the Appendices to the 2016 Pricing Review which may provide clarity in this regard.

5. CDS should "grandfather" fees on all securities going forward

CDS has now recognized that it would be inappropriate for it to impose the amended CDS Fee Schedule on governmental securities outstanding before November 1, 2016, which it presumably expects to be the effective date of its proposed new fees. However, even this concession provides inadequate protection for the reasonable expectations of municipalities.

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[26] CSA Staff Notice, p. 3.
[27] E&CA Notice, p. 8.

The difficulty with CDS's position is two-fold. First, if the regulatory consultative and approval process delays implementation past November 1, 2016, its proposal (if approved) would make the revised CDS Fee Schedule applicable to any securities issued between November 1, 2016 and the effective date of the CDS E&CA Fee Schedule. The November 1 date is arbitrary and speculative. At a minimum, it should be replaced by reference to the effective date of the approval of CDS's proposed new fees, whatever the actual date might be.

As you know from our earlier communications,[28] our client Municipalities are signatories to Rider 1 to the BEO SSA which itself guarantees that CDS will not increase fees on any issued and outstanding securities, for the life of the security. Rider 1 also contemplates that any new approved fees will only apply to new securities issued on or after the effective date of the approval of such fees. Accordingly, CDS's current proposal may lead to the imposition of new fees upon the Municipalities in breach of these contractual obligations.

Second, and more fundamentally, if CDS's current proposal is accepted, it could, at any time (subject to regulatory approval) seek to increase fees on any outstanding securities long after they had been issued (with the exception of securities where fees have been paid "up-front").

We urge the Commissions to require CDS to agree that it will not raise (or seek regulatory approval to raise) fees at any time in the future on any outstanding securities, once issued. This is a reasonable requirement in respect of all market participants, but is particularly important for municipal issuers. As described above, any borrowing by an Ontario municipality must be expressly authorized by a specific by-law.

Putting aside the issue of whether any retroactive fees would be enforceable as against any municipalities in light of the lack of express authorization for those fees in the relevant by-laws, municipalities' borrowing decisions with respect to capital works are based in part on the entire cost of that borrowing. Imposing fees on issued debentures retroactively undermines the reasonable expectations of the municipal councils and taxpayers who authorized those debentures, by unfairly undermining the economic value of those debentures after they have already been issued.

As you will also know from our earlier communications, CDS and a Municipal Working Group ("MWG") are currently negotiating the terms of a broader "Sovereign Rider" that CDS has said it may wish to offer to all sovereign issuers. In that regard, the MWG is collaborating with the governments of Ontario and Québec. The MWG is continuing to negotiate in good faith the terms of a Sovereign Rider, including an acceptable grandfathering provision. As you know from our earlier communications, those discussions have at times been contentious. The MWG hopes and expects that a similar grandfathering provision will be in place over the entire contractual relationship between CDS and its municipal issuers.

[28] Including our firm's correspondence to the OSC of July 2, 2015 and to CDS of April 20, 2016, copied to you.

Nevertheless, a grandfathering provision at least in respect of fees applicable to issued and outstanding securities is reasonable, and particularly for municipal (and other sovereign) issuers.

Conclusion

The proposed E&CA Services Fees will have a direct adverse effect on the cost effectiveness of the issuance of debentures by municipalities to finance infrastructure and other essential public projects. Accordingly, for the reasons set out above, at a minimum the Municipalities renew their request for an exemption from the E&CA Services Fees. In respect of any additional fees that are authorized, the Municipalities request that the Commissions not approve a fee model that, like the current proposals, inadequately takes into account the unique circumstances and public interest position of municipalities and other sovereign issuers.

Please also find enclosed a letter of support for this position on the issue of the 2016 Notices from Steven Vanofwegen, Commissioner of Finance at the Region of Peel and current chair of the Ontario Regional and Single Tier Treasurers.

Nevertheless, the Municipalities request that the OSC hold a public hearing to address the 2016 Notices. Since the 2016 Notices are also before the other Commissions for regulatory approval, we request a joint public hearing be convened under Section 3.5(2) of the Ontario *Securities Act*.

Multilateral CSA Staff Notice 24-313 does not contemplate a public hearing and if the Commissions will not hold a public hearing in this matter, please advise us as soon as possible. In that case, please also provide us with a date by which the OSC expects to make a decision.

The Municipalities hereby give their consent for the public posting of this comment. We ask to receive notice of any other comments submitted to CDS or the Commissions as well as any responses from CDS.

Should you have any questions about any of these matters, please do not hesitate to contact me.

Yours very truly,

Brian Kolenda

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Appendix "A" – List of Municipalities

Municipality	Rider 1?
City of Brandon	Yes
City of Hamilton	Yes
City of London	Yes
City of North Bay	Yes
City of Ottawa	Yes
City of Peterborough	Yes
City of St. John's	Yes
City of Toronto	Yes
County of Wellington	Yes
Halton Region	Yes
Municipal Finance Authority of B.C.	Yes
Niagara Region	Yes
Norfolk County	Yes
Region of Peel	Yes
The District Municipality of Muskoka	Yes
The Regional Municipality of Durham	Yes
The Regional Municipality of Waterloo	Yes
The Regional Municipality of York	Yes
Town of Bradford West Gwillimbury	Yes
Town of New Tecumseth	Yes
Town of Parry Sound	Yes
Township of the Archipelago	Yes

Appendix "B" – Sample Calculations

Semi-Annual Interest Debentures	Serial Debentures					Cost Comparison	Bullet Debentures				
	Interest Events [$100]	Maturity Events [$100]	Paying Agent Events [$50]	Total Cost	"Upfront" Cost [20% discount]		"Upfront" Cost [20% discount]	Total Cost	Paying Agent Events [$50]	Maturity Events [$100]	Interest Events [$100]
5-Year	30	5	5	$3,750	$3,000	2.3x	$1,320	$1,650	11	1	10
10-Year	110	10	10	$12,500	$10,000	4x	$2,520	$3,150	21	1	20
20-Year	420	20	20	$45,000	$36,000	7.3x	$4,920	$6,150	41	1	40
30-Year	930	30	30	$97,500	$78,000	10.7x	$7,320	$9,150	61	1	60