



York Curling Club

220 MURIEL STREET, NEWMARKET, ONTARIO L3Y 3N3

Investing in your Curling Club

Debentures

In order to finance the expansion and restoration of the club, your Board of Directors has authorized the issuance of Debentures. It is anticipated that the club will need to generate up to \$400,000 through the issuance of Debentures. Here are the terms which were approved at the February 21st Board Meeting:

- It is anticipated financing will be required for up to 7 years
- Debentures will be issued during the summer months to meet financing requirements as the project progresses to an anticipated completion of mid September.
- The maximum term will be 7 years with an initial rate offering of 2.25% (225 basis points) above the Bank of Canada Prime Business Rate at the time the debenture is issued for a 3 year term. As of March 22nd, the Chartered bank rate was 2.25% which would equate to an issuing rate of 4.5% today.
- If financing is required after the 3 year term, the rate will be set 2 months prior to the end of the 3 year term on the same basis for a further 2 years. Rates will be again set on this basis for the final 2 years if financing is required.
- Interest will be paid at the end of December each year for that calendar year with T-5s being issued.
- Minimum subscription will be \$5,000 with amounts in excess of \$5,000 increasing in \$2,500 increments to a maximum of \$50,000 per member or household. Amounts greater than \$50,000 will be subject to board approval.
- Debentures issued will be non-transferable or redeemable except with the approval of the Board. Any requested approval will not be unreasonably held (i.e. estate, divorce, hardship situations).
- Effective at the end of the 2nd Calendar Year (December 2011), York Curling Club will have the right with 2 month prior notice to redeem all or any portion of the outstanding debenture on a pro-rata basis from the debenture holders

Questions regarding the issuance of debentures can be directed to Sid Smith, Richard Metcalfe or John Munsie. Individuals interest in making a purchase are asked to make their intentions known to Sid, Richard or John as early as possible so the club can confirm availability of financing and prepare the list of names for contact purposes over the summer.

YORK CURLING CLUB

DEBENTURE ISSUE - QUESTION AND ANSWER SHEET

What is a Debenture? A debenture is similar to a corporate bond or GIC except that the corporate bond is backed by assets of the issuing corporation and the GIC is covered by CDIC (Canada Deposit Insurance Corporation) and by the good name of the bank or credit union. The Debenture issue of the York Curling Club will be backed by only the good name and reputation of the Club and all Club members.

Interest rates are very low, why does the Club not just borrow the funds ? Because the curling rink building and equipment is a single purpose facility, the bank or credit union will treat the loan as 'unsecured' and charge interest in the range of 8 or 8 1/2%.

Can this Debenture be transferred to a TFSA? No, this debenture is not approved by the Ontario Securities Commission and therefore, can not be transferred to a TFSA.

Can the Debenture be owned on a Joint With Right of Survivorship basis ? Yes, as an example both the husband and wife can be named on the Debenture. One SIN will appear on the T5 for the interest paid each year but the interest can be split 50/50 if desired on income tax returns.

Is interest paid on a Line of Credit loan used to purchase the Debenture tax deductible? Yes, the line of credit loan would be incurred to earn taxable investment income making the loan interest tax deductible (line 221 of the T1 Tax Return form).

Any other questions can be directed to:

Sid Smith ssmith5@sympatico.ca or (905) 727 3681

Rick Metcalfe metcalfe@sympatico.ca or (905) 895 1455

John Munsie john@munsie.ca or (905) 473 3833

Prepared Mar 10, 2010.