

Delivered by E-mail

November 12, 2019

Mr. Tommy Wong
President
Xinyi Canada Glass Limited
Suite 702-704, 3601 Highway 7 East
Markham ON L3R 0M3

Dear Mr. Wong:

**Re: Xinyi Canada Glass Limited or a related corporation (collectively "Xinyi")
New Facility – City of Stratford ("City")
Binding Letter of Intent**

Xinyi is planning to finalize a project development in which Xinyi will invest no less than CDN\$300 million for the construction and operation of a float glass manufacturing facility ("Development") in the City. Among other things, this binding letter of intent ("LOI") requires that the City provide administrative support and the information described in this LOI.

Due to the large scale of the Development, and the capital investment involved, the parties agree to work cooperatively and expeditiously to ensure, among other things, that all necessary approvals are issued in a timely manner based on submission of all required materials and acceptance by approval authorities. The City is also committed to providing senior administrative support to Xinyi in order to ensure the timely Development of the Facility.

Both the City and Xinyi wish to enter into this LOI to set out the obligations and commitment of the parties. These obligations and commitments shall form the basic terms and conditions to be reflected in a Development Agreement to be executed on or before April 15, 2020 ("**Execution Date**"), and of which is contingent upon final approval for use of the site for the Development by the Minister of Municipal Affairs and Housing via a Ministerial Zoning Order ("**MZO**") no later than March 15, 2020 (subject to extensions upon agreement by both parties), with no further appeal and the successful annexation of the lands for the Development by the City.

The terms and conditions are as follows:

1. Xinyi agrees that it will:
 - a. purchase, itself or through a related Ontario corporation or through a related Xinyi Corporation incorporated pursuant to the laws of Canada or Province of Ontario, the property located in the Township of Perth South, in the County of Perth, having an assessment roll number of 3120-090-006-06401, save and except approximately 3.8 acres fronting on Provincial Highway Number 7 ("Xinyi Property") with closing conditional upon a final and binding MZO made pursuant to section 47 of the *Planning Act*, R.S.O. 1990 c. P. 13 as amended that allows the use of the Xinyi Property for a float glass factory, offices and warehousing (the "Facility"). ;
 - b. work cooperatively with the City in facilitating the Minister of Municipal Affairs and Housing's zoning order ("MZO"), acquiring the appropriate land use permits and/or approvals for the Development;
 - c. enter into a Development Agreement with the City by the Execution Date, upon final approval of the MZO;
 - d. initiate site preparation in terms of site grading and within reasonable period of time from the Execution Date enter into a site plan agreement for the Facility. Xinyi will take all reasonably practicable steps to complete the factory within 26 months of the building permit having been issued;
 - e. invest no less than approximately \$300 million Canadian dollars for this float glass project in Stratford once building permit(s) needed to allow the Development have been issued; and
 - f. create approximately 320 jobs in the City within two (2) years from the date the Facility becomes operational.
2. The City agrees to the following as it relates to the Development located on the Xinyi Property upon confirmation that the Xinyi Property is ready for development at the site, including but not limited to confirmation of the annexation of the Xinyi Property, and issuance of the MZO:
 - a. **Development Charges:** The City agrees, represents and warrants that no development charges are payable by Xinyi to the City of Stratford for the Development.
 - b. **Building Permit Fee:** The City has agreed to reduce the Building Permit fee by 50% up to a maximum reduction of \$500,000 with exact costs to be determined based on the total square footage of the Facility. The City acknowledges and agrees that it shall take all steps necessary to ensure that if necessary one or more conditional permits will be made

available to allow Building Permits to be split into the following three stages being (1) Foundation permit, (2) Enclosed Building permit which includes but is not limited to the shell elements, and, (3) Interior Finishes as expeditiously as possible upon review and approval by the City of all required plans, respectively provided all information has been received and submitted to the City to the City's satisfaction, acting reasonably. The City shall make Building Permit inspection services available upon request by Xinyi. The building permit fees will be based on actual square footage of all building located on the property. For clarification purposes the City represents and warrants that it does not require a site alteration permit to be obtained for any grading of the Xinyi Property.

c. **City Infrastructure:** The City agrees to invest in the following capital improvements towards related infrastructure for the Development and the surrounding area to facilitate the Development including:

- i. Contribution of 50% of the costs by the City, and the remaining 50% of the cost to be borne by Xinyi and other users in the surrounding area, with cost sharing based on either (a) pro-rata basis calculated according to use, or (b) pro-rata per acre allocation, associated with the construction of new pumping station and associated infrastructure to provide sanitary services to the Development and the surrounding area including but not limited to the sanitary sewer connections for the Development;
- ii. If Festival Hydro is granted the service area amendment to distribute power to the Xinyi Facility, Festival Hydro will have to construct: (i) an underground electrical utility service (estimate \$1,350,000); (b) a connection to an existing redundant overhead circuit (estimate \$100,000); and (c) modify the transformer station connected to high voltage grid (estimate \$10 million, Xinyi portion estimated at \$2.5 million). Costs of this expansion are eligible for cost recovery based on actual electrical usage as defined in Festival Hydro's Condition of Service and Ontario Energy Board requirements. It is expected that Xinyi would have to provide an upfront cash deposit or letter of credit in the amount of approximately \$3.95million to support the expansion. Assuming Xinyi maintains a demand of 16MW for 25 years, costs are within the currently estimated range and the current regulatory model applies, the deposit less \$55K would be fully repaid to Xinyi over time. If actual Xinyi demand reached only 12MW the deposit less \$665,000 would be fully recovered and if the actual demand reached only 8MW the deposit less \$1,275,000 would be fully recovered. The figures and reconciliation provided herein are estimates and will be based upon actuals when available.

Please note the estimates provided are done so as draft and no detailed engineering has yet been conducted. These estimates also do not include any upstream transmission system upgrades, if required.

Festival Hydro cannot guarantee 100% availability of service, even with redundant feeders, Xinyi will require certain on-site emergency power.

- iii. Provision of a redundant water supply service to the property lines of the Development and surrounding area no later than (12) months following the approval of the Municipal Class Environmental Assessment ("MCEA") with the MCEA being initiated upon the Execution Date resulting in a savings to Xinyi of up to a maximum of \$230,000 with the exact costs to be determined by the City's competitive tendering process. Xinyi shall be responsible for paying all costs associated with the redundant water supply in excess of the \$230,000 contribution from the City. Any costs of connecting the Development to the redundant water supply shall be the sole responsibility of Xinyi.
- iv. No later than (12) months following the approval of the Municipal Class Environmental Assessment ("MCEA") with the MCEA being initiated upon the Execution Date, there shall be two water supply connections to the property lines of the Development and surrounding area, each of which is piped separately and originates separately from a different pumping station and different wells in a location acceptable to both Xinyi and the City acting reasonably at a fee to Xinyi for connection and the allocation of costs described in section 2(c)(iii) above. The City acknowledges and agrees to take all necessary and appropriate measures including but not limited to acquiring any permits required to enable a redundant water supply on or before Q1 2022. In the event that at some point of time in the future any surrounding lands utilize the redundant water supply the City agrees that Xinyi will be compensated for any costs associated with the construction of the redundant water supply to be utilized by those surrounding lands.
- d. **Sewer Rates:** The City agrees, represents and warrants that Xinyi will be charged sewer levies, fees or charges for effluent actually discharged from the Xinyi Facility at the prevailing City rate.
- e. **Water Rates:** The City agrees, represents and warrants that the water fees charged to Xinyi shall be subject to the City's water user rate set out in the applicable By-law as it applies to Xinyi (pursuant to a new category for industrial large water users) which is expected to be no more than 90% of the current applicable water rates based on the prevailing City rate as it currently exists. For clarification purposes the amount charged to Xinyi shall be an amount that is no more than 90% of the City's industrial water user rate as currently applied to industrial facilities.
- f. **Property Taxes:** The City represents, warrants and agrees that the Large Industrial (KT) tax class rate applied to the Facility shall be charged at approximately 90% of the existing industrial tax rate currently applied by the City. The amount of the total taxes payable

under the Large Industrial tax class shall be subject to the assessed value as determined by the Municipal Property Assessment Corporation ("MPAC"). The City estimates that this may result in a benefit to Xinyi of up to a maximum of \$648,000 annually subject to MPAC making a final determination based on the assessed value. For clarification purposes the amount charged to Xinyi shall be no more than of 90% of the existing industrial tax rate.

3. **Monthly Electricity Rates:** It should be noted that electrical rates in the Province of Ontario are governed by the Ontario Energy Board and cannot be reduced for the benefit of any individual customer. If Festival Hydro is successful in obtaining a service area amendment for the Xinyi facility, the applicable rate will be the GS>5MW (Large Use rate category) current rates can be obtained through Festival Hydro. Currently the IESO has a program available referred as the Industrial Conservation Initiative (ICI) that allows Global Adjustment (GA) payments (estimated at roughly \$1,000,000 per month for Xinyi) to be based on Xinyi percentage contribution to the top five peak Ontario demand hours over a 12-month period. Xinyi should explore this opportunity with their electrical consultant as it is theoretically possible to avoid GA charges if Xinyi can achieve a coincident peak demand factor (PDF) of 0. Please note the ICI initiative is not governed by Festival Hydro and the program can be altered by the IESO at any time.
4. The City's obligations set out in this binding Letter of Intent shall be conditional upon Council of the City of Stratford's ("Council") approval of the Development Agreement, the City's annexation of the lands from the Township of Perth South, Xinyi's confirmation of ownership of the Xinyi Property, final approval of the MZO (no further appeals), and designation of the lands for the Development (no further appeals). In the event that the terms and conditions set out in this paragraph are not met all obligations hereunder shall be null and void.
5. The City's obligations set out under this binding Letter of Intent shall also be conditional upon Council of the City of Stratford's ("Council") approval of the Development and the forgoing reduction benefits, charges and costs. In the event that the Council does not approve any of the terms set out herein, all obligations hereunder shall be null and void.
6. Xinyi's obligations set out in this binding LOI shall be conditional upon: (i) approval of the LOI by the Board of Directors of Xinyi. Such approval shall be obtained within 10 business days upon approval of this LOI by Council of the City of Stratford.
7. The City shall obtain approval of Council within 10 business days upon final approval of the MZO (with no further appeals) for the City to enter into a Development Agreement with Xinyi on or before the Execution Date.
8. Both the City and Xinyi acknowledge that the MZO will be subject to approval by the Ministry of Municipal Affairs and Housing, and as such, the currently set target Execution Date of April 15, 2019 may need to be extended as set out above. Notwithstanding the

foregoing, the City and Xinyi will make best efforts to achieve either the currently set Execution Date, or adjusted target execution date, whichever the case may be.

9. This binding LOI may be executed in several counterparts and delivered by electronic or facsimile transmission each of which when signed and so delivered shall be deemed to be an original and single binding LOI.
10. Each party shall keep confidential all information each party obtains regarding the other party subject to the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*.
11. This LOI will be governed by and construed under the laws of the Province of Ontario.
12. The parties agree that upon acceptance of this binding LOI, they will not, directly or indirectly (including, for greater certainty, through a broker or agent), solicit or engage in discussions or negotiations with, or provide any non-public information to, or otherwise co-operate with, any person or entity which seeks to locate the facility, all or a part outside of the City or to enter into any transaction inconsistent with the proposed transaction contemplated herein that would prevent the parties from completing a transaction on the terms specified in this Letter of Intent, save and except for if this binding Letter of Intent becomes null and void.
13. The City is committed to working cooperatively with the Township of Perth South and the Perth County for the annexation of the lands and surrounding area by the City of Stratford. The City shall ultimately be responsible for initiating, conducting and completing the annexation process. It should be noted that the development of this project is contingent on approval and acceptance by the Councils for the City of Stratford, Township of Perth South and Perth County, as same relates to annexation of the Xinyi lands and any other related matters.
14. This LOI is contingent on approval and acceptance by Council for the City of Stratford.

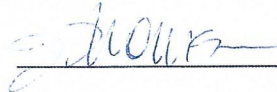
If this binding Letter of Intent accurately reflects your understanding with respect to the principal terms of our agreement, please sign the enclosed copy of this letter below and then date and return it to the attention of the undersigned by no later than 5:00 pm on November 12, 2019.

Yours truly,

Joan Thomson
City of Stratford
Acting, Chief Administrative Officer

Accepted and agreed by the undersigned this 12th day of November, 2019.

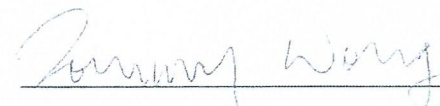
THE CORPORATION OF THE CITY OF STRATFORD

By: 

Title: Acting Chief Administrative Officer
I have authority to bind the Corporation.

Accepted and agreed by the undersigned this 12th day of November , 2019.

XINYI CANADA GLASS LIMITED

By: 

Title: President
I have authority to bind the Corporation.