

Confidential



October 15, 2013

Township of Muskoka Lakes
P.O. Box 129
1 Bailey Street
Port Carling, ON
POB 1J0

Attn: Mr. Chris Wray, CAO

**Re: North Bala Falls Small Hydro Project – Request for Closed Door Meeting
with Mayor and Council**

Dear Chris:

This letter is in response to your emails outlining the pre-requisites for attaining a closed meeting with the Mayor and Council to discuss the North Bala Small Hydro Project. {Note that there will be no discussion regarding any pending lawsuit(s) or any topics under consideration of those lawsuits }

As the Township is aware, Swift River is in the process of completing the construction drawings and attaining the required permits for construction. As the Township is also aware, the amount of land available for the construction of the project is somewhat limited. Our design engineers have, however, managed to devise a workable plan using the lands available that is financially viable. That said, they have also noted that should Swift River be afforded the use of certain parcels of Township lands, the construction could be somewhat simplified.

Swift River has therefore requested to meet with the Council to discuss some options that may be available for construction that could be seen as win-win-win solutions for Swift River, the Township, and the community.

In particular, the lands we are interested in using include (see attached map):

1. The parcel of land immediately adjacent to the Project site that was transferred to the Township from the District in 2011 (PIN 48029-0638);
2. The Shield Parking Lot (PIN 48029-0634); and
3. The Township's portion of the Portage Landing Parking Lot (PIN 48154-0628) and / or permission to use the MNR portion of this lot that is currently leased by the Township.

Land parcels 2 and 3 would only be used for storage of trailers, equipment (including any equipment typically found on a construction site) and construction materials. There would be a requirement to fence the area to be used. Other than fencing, the lands would not be disturbed in any way. Any disturbances, including from fence posts, would be repaired prior to leaving the

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site at the end of construction. The use of these parcels of land for the Project would effectively reduce the requirements of storage in other areas in and around town such as the Crown land north of the North Dam commonly referred to as Margaret Burgess Park.

There are several options for use of land Parcel 1 that we would like to discuss at the proposed meeting. These would include site access, storage of materials, installation of tower crane etc. These activities would require tree removal and earthworks. It is also proposed that the Township consider working with SREL to deposit the rock from the Project excavation on this parcel of land for possible re-grading and landscaping. The use of this parcel of land for the Project would reduce the requirements of storage in other areas in and around town such as at Margaret Burgess Park. If permission was granted to re-grade Parcel 1 with rock from the excavation, it would also eliminate the requirement to install a bridge over the North Channel, install the tower crane downstream of the dam and truck materials through Margaret Burgess Park. Parcel 1 would be restored prior to leaving the site at the end of construction.

Swift River will ultimately hire a general contractor that would be responsible for the works and would fall under the definition of "Constructor" under the Ontario Occupational Health and Safety Act. Swift River would have a full time representative on site during construction and the design engineers would provide inspection services. Genivar will be the "Owner's Engineer" of record for the construction design of the Project. An environmental monitor will also attend the site during environmentally sensitive activities i.e. in-water works. Hatch's contract for preliminary engineering and environmental assessment has been fulfilled and they are no longer active on the Project.

Swift River Energy Limited is the developer of record for this Project. While Swift River is always open to talking to interested investors, the permits and proposed lease(s) will be with Swift River LP by its general partner Swift River Energy Limited.

Compensation ideas are welcome. Possibilities include:

1. Lump sum lease payment for duration of construction based on number of months on site.
2. Construction work completed in lieu of cash i.e. the contractor could perform a construction task(s) for the Township as payment for the lease. This could include full re-grading and professional landscaping of Parcel 3.
3. A combination of 1 and 2.
4. Alternative proposed by Township.

With respect to the Township's requirement to address the matters contained in Council Resolution SC-18-28/07/11:

This resolution is out of date. It was written over 2 years ago when Swift River was still pursuing Option 2 and awaiting an MOE decision on the elevation requests. Since that time there has been significant progress in the development of the Project, in particular:

- The MOE Minister denied all appeal requests for the Option 2 plan;
- The facility was moved, redesigned and re-evaluated. Ultimately Swift River issued an addendum to the original Environmental Screening Review Report (ESRR) for the Option 1 plan;

- The MOE Director denied all elevation requests made for the Option 1 plan;
- The MOE Minister denied all appeal requests for the Option 1 plan;
- The federal Canadian Environmental Assessment was cancelled by CEAA;
- The Department of Fisheries and Oceans has confirmed no permit is required;
- Swift River has undertaken further heritage studies on the area;
- The upstream booms have been moved and fencing has been erected around the dams by MNR; and
- Swift River has received Location Approval from MNR.

Swift River therefore respectfully submits that it has already fulfilled the requirements of the resolution in so far as they apply to the newly designed project with the exception of a few outstanding approvals, and a decision will need to be made on the leasing of these lands prior to us applying for these final approvals.

Swift River Energy is eager to sit down with the Township and discuss how to make the construction of this facility as smooth as possible. It is our firm belief that the use of these lands will significantly reduce the impacts to the community. In addition, it would make our work easier. Therefore, we are open to sharing some of the savings that could be realized with the Township.

It has been a long 8 years and we are nearing the end of this Project. Now is the time to start working together on the finer details to ensure we “get it right” for everyone involved.

We await your written confirmation of a closed door meeting with the Mayor and Council on October 18th. Please let us know before noon on the 17th so we can make the appropriate arrangements.

Respectfully,



North Bala Small Hydro Project Manager
Swift River Energy Limited

c.c. Township of Muskoka Lakes Mayor and Council



Parcel 3

Project lands shown in blue

Parcel 1

Parcel 2 (TML owned portion of this parcel is not shown)