

We have received and reviewed your Partnership Proposal. The terms contained therein are not acceptable to the Municipality of the County of Victoria (the "Municipality"). The proposal is rejected in its entirety.

The Municipality would be prepared to move forward with providing services of benefit to the Village of Baddeck (the "Village") but only on the condition that legal title to the key assets and infrastructure being serviced and maintained by the Municipality is permanently transferred to the Municipality.

Detailed terms for that proposed transfer are outlined in this letter (hereinafter, the "Term Sheet"). Such a transfer would establish clear ownership, accountability, and operational control vested with the Municipality. This Term Sheet sets out the basic terms of the proposed transfer of certain services and assets currently under the jurisdiction of the Village to the Municipality. Following acceptance of this Term Sheet, the Municipality and the Village agree to take all required steps to transfer ownership and operation of the listed assets from the Village to the Municipality.

1. Guiding Principles

- a. The specific services and assets included in this Term Sheet are (hereinafter, collectively referred to as the "Assets" and each individually an "Asset"):
 - i. Sidewalks within the Village of Baddeck (the "Sidewalks");
 - ii. The Village of Baddeck Water Utility (the "Water Utility");
 - iii. The Village of Baddeck Wastewater System (the "Wastewater System"); and
 - iv. The ground lease (the "Civic Centre Property Lease") for the property on which the Victoria Highland Civic Centre is located.

- b. The Parties acknowledge that the Assets fall within the legislative scope of municipal responsibility under the *MGA*.
- c. The parties intend to change ownership, service delivery, and governance, and ensure proper regulatory compliance, sustainable service delivery, and fiscal accountability for all Assets.

2. Effective Dates and Transitional Periods

- a. The periods between execution of this Term Sheet and each effective date at 3.c, 4.b, 5.b, and 6.b herein shall serve as transitional periods during which both parties agree to cooperate, in connection with all Assets and all asset transfers, to:
 - i. Provide all available records, operational data, and inventories necessary to support the transfer of ownership;
 - ii. Facilitate due diligence, legal, and financial review processes;
 - iii. Complete required regulatory filings and asset transfer agreements, wherever needed; and
 - iv. Ensure uninterrupted service delivery and public communication.

3. Sidewalks

- a. Effective upon execution of this Term Sheet, the Municipality will assume responsibility for the maintenance, operation, and capital renewal of all Sidewalks in accordance with municipal standards.
- b. After execution of this Term Sheet and before the effective date of transfer of the Sidewalks as set out at 3.c herein, the Village shall provide the Municipality with any records, maps or documents in its possession related to the Sidewalk's infrastructure or maintenance.
- c. Transfer of ownership of the Sidewalks will be effective as soon as possible, but is conditional upon completion of legal review, due diligence and

execution of all required transfer, property, and regulatory documentation.

This specific date is to be later determined and agreed-upon by both parties.

- d. This transfer will resolve the previously inconclusive ownership of the Sidewalks, confirming the Municipality as the sole owner and operator.
- e. Should this Term Sheet be agreed to but, despite the parties' best efforts, transfer of ownership of the Sidewalks from the Village to Municipality not be completed, the parties will agree to a later date when the Village will resume responsibility for the maintenance, operation, and capital renewal of all Sidewalks in accordance with municipal standards.

4. Water Utility

- a. After execution of this Term Sheet and before the effective date of transfer of the Water Utility as set out at 4.b herein:
 - i. the Municipality shall initiate proceedings with the Nova Scotia Regulatory and Appeals Board ("NSRAB") to transfer ownership, regulation, and operation of the Water Utility;
 - ii. the Village shall make best efforts to transfer all associated assets, reserves, equipment, accounts, and documentation regarding the Water Utility to the Municipality;
 - iii. the Village shall continue operating the Water Utility under its existing NSRAB approvals, in cooperation with the Municipality; and
 - iv. the Municipality shall have the right to ensure all financial records relating to the Water Utility are in accordance with proper accounting standards.
- b. Transfer of ownership will be effective as of April 1, 2026, or on such later date as may be required to complete all agreements, documentation and regulatory approvals as set out herein or later required. Should the transfer date be any other than April 1, 2026, the new transfer date is to be later determined and agreed-upon by both parties.

- c. After the transfer date as set out at 4.b, the Municipality will assume full ownership and control, including billing, rate-setting, and capital planning for the Water Utility.
- d. Should the transfer of the Water Utility fail despite both parties' best efforts, the Municipality and Village agree that the Village will retain all ownership and operational responsibility thereof.

5. Wastewater System

- a. After execution of this Term Sheet and before the effective date of transfer of the Water Utility as set out at 5.b herein:
 - i. The Village shall continue to operate the Wastewater System under its existing provincial regulatory approvals, in cooperation with the Municipality;
 - ii. The Village shall provide to the Municipality all available and relevant data, asset inventories, reserves, equipment, accounts, system records, and any other documentation required to facilitate transfer prior to the transfer date;
 - iii. The Municipality shall initiate proceedings with the relevant provincial regulatory body to transfer ownership, regulation, and operation of the Wastewater System; and
 - iv. The Municipality shall have the right to ensure all financial records are in accordance with proper accounting standards during the period of transition.
- b. Transfer of ownership and operation will be effective as of April 1, 2026, or on such later date as may be required to complete all agreements, documentation and regulatory approvals as set out herein or later required. Should the transfer date be any other than April 1, 2026, the new transfer date is to be later determined and agreed-upon by both parties.

- c. Upon transfer, the Municipality will assume full operational, regulatory, and financial responsibility, and assume sole authority for rate setting, capital planning, and reserve management for the Wastewater System.
- d. Should the transfer of the Wastewater System fail despite both parties' best efforts, the Municipality and Village agree that the Village will retain all ownership and operational responsibility thereof.

6. Civic Centre Land Lease

- a. After execution of this Term Sheet and before the effective date of transfer of the Civic Centre Property Lease as set out at 6.b herein, the Village shall provide the Municipality with all existing documents, agreements, and correspondence relevant to the Civic Centre Property Lease.
- b. Transfer of the Civic Centre Property Lease will be effective as soon as possible, but is conditional upon completion of legal review, due diligence and execution of all required lease transfer, property, and documentation. This specific date is to be later determined and agreed-upon by both parties.
- c. Upon transfer, the Municipality shall assume the existing Civic Centre Property Lease for the property on which the Victoria Highland Civic Centre is situated. The transfer of the Civic Centre Property Lease will apply strictly to the land and does not include ownership, operation, lease, or maintenance of the Victoria Highland Civic Centre building or its contents.
- d. Should the transfer of Civic Centre Property Lease fail despite both parties' best efforts, the Municipality and Village agree that the Village will retain all lease responsibilities.

7. Financial and Legal Responsibilities

- a. Upon each individual transfer date in sections 3.c, 4.b, 5.b, and 6.b of this Term Sheet, all relevant associated revenues, expenses, obligations and liabilities of the Asset in question shall become the responsibility of the Municipality.

- b. The Municipality shall not assume any debts, payables, or legal obligations incurred by the Village prior to the relevant transfer date, with the exception of the Sidewalk maintenance activities as at 3.a of this Term Sheet.
- c. The Village shall indemnify and hold harmless the Municipality against any claims or actions arising from its operation or ownership prior to the effective date for each.

8. Collaboration and Communication

- a. The Municipality and the Village may meet annually to discuss community priorities of mutual interest.
- b. Such meetings are for information sharing purposes only and do not constitute shared governance or operational collaboration.
- c. All public communications concerning the transfers shall be jointly approved and issued to ensure accuracy and consistency.

9. Municipal Grants Program

- a. Following execution of this Term Sheet, the Village may apply to the Municipality's Municipal Grants Program for operational or project-based funding related to community initiatives outside the scope of transferred assets.
- b. All applications to the Municipal Grants Program will be subject to the Municipality's standard eligibility, reporting, and evaluation requirements.
- c. The Village acknowledges that municipal grants are discretionary and subject to annual Council approval.

10. Implementation and Interpretation

- a. The parties acknowledge that the completion of the transfers of each Asset as contemplated in this Term Sheet is conditional upon the successful due diligence, legal review, and execution of all required documentation,

including, but not limited to, legal agreements, leases, and regulatory approvals.

- b. This Term Sheet shall take effect upon approval by Council for the Municipality and the Commission for the Village, as of the latest date of signature below.
- c. The Municipality shall be deemed the sole owner and operator of the services and assets described herein as of the effective transfer dates specified herein.
- d. Nothing in this term sheet shall alter or limit the statutory powers of either party under the *Municipal Government Act* or related legislation.
- e. This Term Sheet shall be governed in all respects by the laws of the province of Nova Scotia.

Should the Village agree to the above terms and the Parties both agree on this prospective commitment, both will make best efforts towards successful transfer of the Assets. The Village and the Municipality both acknowledge that agreement to this Term Sheet will not create any ongoing joint governance structure or partnership regarding any Asset.

Should the Village reject the above terms, the Municipality and the Village acknowledge and agree that the Village will continue their ownership and operation of all Assets without change.

[Signature page follows]

X

on behalf of
Village Commission of Baddeck

X

on behalf of
Municipality of the County of Victoria