

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2016
(tabular amounts in thousands of dollars)**

4. INVESTMENT IN LONSDALE ENERGY CORPORATION ("LEC") (con't)

Included in the City's consolidated statement of financial position is "Investment in Lonsdale Energy Corp." in the amount of \$734,000 (2015 - \$715,000) and a loan receivable, see note 5. Also, included in accounts receivable in the City's consolidated statement of financial position are receivables from LEC in the amount of \$332,000 (2015 - \$268,000).

In 2015, LEC recognized a one-time expense related to an agreement (the "Agreement") between LEC and Corix Utilities Inc. ("Corix") that expired on December 31, 2013. Under the terms of the Agreement, Corix provided, installed and maintained the boilers, central control system and energy meters that form part of LEC's hydronic heat distribution system in the Lower Lonsdale Service Area. LEC recorded a non-recurring expense of \$1,031,000 made up of interest, loss on disposal of obsolete asset and legal charges related to the Agreement. No further costs related to the Agreement were incurred in 2016 and none are expected to be incurred by LEC subsequent to December 31, 2016.

5. LOAN TO LONSDALE ENERGY CORPORATION ("LEC")

The loan receivable balance of \$15,045,195 (2015 - \$13,651,000) consists of the following interest bearing promissory notes:

On December 16, 2013, the City converted amounts due from LEC to a 5-year demand term loan bearing interest at 2.1%. Additional funding may be made available to LEC under the terms of the agreement to a maximum of \$12,000,000. The balance owing at December 31, 2016 is \$11,983,000 (2015 - \$11,039,000).

On July 8, 2015, LEC issued a promissory note to the City in the amount of \$2,000,000. On November 25, 2015, LEC issued a promissory note to the City in the amount of \$612,000. On November 18, 2016 LEC issued a promissory note to the City in the amount of \$1,900,000, of which only \$450,000 had been drawn by LEC at year end. The balance owing at December 31, 2016 is \$3,082,000 (2015 - \$2,612,000).

All loans are due on demand and bear interest at 2.1%. Interest revenue of \$296,900 (2015 - \$247,300) has been included in the consolidated statement of operations.

At the maturity date of the loan to LEC, the City may, at its discretion, extend the terms of the loan in whole or in part or LEC may repay the loan in whole or in part using either internal or external financing.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In connection with the redevelopment of the Shipyards – Lot 5, the City has accrued \$3,471,798 in estimated site remediation costs based on contracts and purchase orders in place at year end. The remediation work is expected to be completed in 2017.

7. LONG-TERM DEBT

The City has financed the expansion of LEC by assuming debt on behalf of LEC through the Municipal Finance Authority in accordance with the Community Charter. Debt principal is reported net of repayments and actuarial adjustments. The City carries no debt for others. The total debt issued and outstanding as at December 31, 2016 was \$1,292,616 (2015 - \$1,478,968).