CONFIDENTAL

Draft for discussion purposes

Date: Feb 17, 2017

Terms necessary for OPG to consolidate the Trust:

1. The Trust should not operate in a predetermined way such that OPG does not have decision-making authority over the Trust's ongoing activities after its formation (i.e. should not operate on 'autopilot').

2. OPG must have the ability to appoint and remove the Trustee (or Board of Trustees), with no veto right by the Province.

3. No party shall have the ability to remove OPG from its role and authority in the Trust.

4. The Province can not have the right to be able to veto OPG's decisions about the relevant activities of the Trust. OPG must have the power over the relevant activities of the Trust and be compensated. The relevant activities of the Trust include (but are not limited to) the evaluation and decisions on financing alternatives, duration, and the strategy to minimize financing costs.

5. OPG must have the power to determine or change operating and financing policies of the Trust, which will affect the variability of risks and returns.

6. OPG must have the power to establish operating and capital budgets of the Trust.

7. The Province or its agencies must not directly or indirectly fund (through debt or equity) more than 50% of the following:
    a. The Trust
    b. Any of OPG's investments in the Trust
    c. The most subordinated debt of the Trust

8. OPG must own greater than 50% of the most subordinated debt and must be no less than 5% of the subordinated debt of the Trust. Such ownership must be financed entirely by OPG through external debt, without assistance from Provincial sources.

9. OPG must have the ability to earn variable returns by exercising its authority, which shall be accomplished as follows:
    a. The cash flow from the restructured asset shall include interest determined based on a relevant benchmark that is appropriate relative to the restructured asset, plus an appropriate margin consistent with the relevant market and other risks
    b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favourable return compared to the benchmark for interest on the restructured asset
    c. The Trust shall establish classes of liabilities (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit

OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.

d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the restructured asset, or any residual risk of restructured asset. The targeted return of the subordinated liability should be reflective of the underlying risks and compensate holders for active management that would be required.
e. OPG should participate in the detailed design of the above and the Trust documentation to ensure that it has substantive power and variability, which will allow OPG's Board of Directors to evaluate the opportunity as a business initiative instead of through a shareholder directive.
f. If there is a Defined Forced Majeure for emergency events (e.g. unlikely credit market event or disruption where it is not possible to borrow from the market at a reasonable rate), OEFC may provide bridge financing beyond the designated percentage.

10. The Legislation must require interest, carrying and administrative costs to be paid to the Trust on a monthly basis, so that the Trust is able to recognize appropriate revenue to offset any ongoing costs.

11. The Legislation must dictate the manner in which the restructured asset would be determined, collected, and the period of collection, so that the determination of the restructured asset will not be subject to the Province's decisions on an ongoing basis, but determined based on a formula. Alternatively, the Legislation may allow for an adjustment to the pre-determined deferral formula based on specific parameters that would limit the adjustment to the restructured asset. Adjustments beyond the specific parameters would require approval by the Board of Trustee.

Others:

12. The spirit of the above terms should be reflected in the Trust Indenture Agreement as well as Legislation, wherever possible.

13. The Legislation must be written to avoid legal or constitutional challenges and be irrevocable to reduce the cost of borrowing and with a specific formula which determines the deferral amount.

14. The Trust must be undertaken by OPG as a business initiative. If a Directive is to be issued to OPG, the Directive shall be issued to direct OPG's Board of Directors to investigate the viability of the option. However, this Directive cannot remove the Board of Directors' the responsibility to evaluate this opportunity as a business initiative.