Provincial Protection and Assurances

Indicative Term Sheet[1]

Ontario Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") relates to transactions contemplated to be undertaken under the Ontario Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Unless otherwise specified, defined terms used herein have the meanings ascribed to them in the Act. The provincial protection and assurance arrangements contemplated in this Term Sheet will include such terms and conditions as the Minister of Energy and the Minister of Finance determine to be appropriate.*

Performance Guarantees	
Performance Guarantor:	The Province of Ontario, by the Minister of Energy and the Minister of Finance acting together.
Beneficiaries:	Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over its rights and interests under a Performance Guarantee to its creditors and contractual counterparties, including any indenture trustee acting on behalf of itself and other persons having debt or other claims against the Financing Entity that are secured under a related trust indenture.

[1] This draft term sheet is intended for discussion purposes only and does not represent a commitment of any party. Any agreement or undertaking of the Province contemplated in this term sheet may only be made either (a) with the approval of the Lieutenant Governor in Council as contemplated in subsection 5(2) of the Act or (b) under, and subject to, an order made by the Lieutenant Governor in Council as contemplated in subsection 5(3) of the Act.

Performance Guarantee:	Pursuant to a Performance Guarantee, the Performance Guarantor will guarantee the performance, or cause the performance, of the obligations of IESO as servicer under the Act and under any agreement under which the applicable Financing Entity acquires an investment interest from IESO and IESO undertakes on-going obligations in respect of such investment interest, including servicing obligations undertaken by IESO to enforce the performance by electricity vendors of their respective obligations under the Act. It is anticipated that such obligations will include matters related to the billing, collection and remittance of clean energy adjustments by IESO and electricity vendors, as the case may be, and regarding the commingling by IESO and electricity vendors of collections of clean energy adjustments with other amounts. In the event that the Performance Guarantee is held to be unenforceable against the Performance Guarantor, the Performance Guarantee will contemplate, in the alternative, a functionally equivalent direct covenant of the Performance Guarantor.
Term:	The Performance Guarantor's obligations under a Performance Guarantee in respect of a Financing Entity will continue during the term of any obligation incurred by the Financing Entity that is or is intended to be secured by the Performance Guarantee.
Approval Requirement:	The servicing obligations (including any amendments) to which the Performance Guarantee relates, together with the provisions of any Performance Guarantee itself, will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under Performance Guarantee:	Under no circumstances shall the Performance Guarantor be obligated to pay special or punitive damages, or for loss of profits.
<u>Indemnity</u>	
Indemnitor:	The Province of Ontario, by the Minister of Energy and the Minister of Finance acting together.
Indemnitees:	Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over the Indemnity to specified creditors, including to an indenture trustee under a trust indenture on behalf of itself and other persons having debt or other claims against the Financing Entity secured under the trust indenture.

Indemnity of the Province:	The Province of Ontario will indemnify each Indemnitee for its costs, expenses and losses reasonably incurred by the Indemnitee (including because of claims made against the Indemnitee by one or more of its specified creditors) that result from any of the following (each, an "**Indemnification Event**"): (A) the Legislative Assembly of Ontario repealing (and not replacing on an equivalent basis) the Act; (B) the Legislative Assembly of Ontario amending the Act or a Regulation made thereunder in a way that materially and adversely affects the rights and interests of the Financing Entity under its investment interest; or (C) a court of competent jurisdiction in a final and non-appealable judgement determines that all or a portion of the Act is *ultra vires* in a way that materially and adversely affects the rights and interests of the Financing Entity under its investment interest.
Term:	The Indemnity will continue during the term of any obligation incurred by a Financing Entity that is or is intended to be secured by the Indemnity.
Approval Requirement:	The terms and conditions of the obligations incurred by a Financing Entity that are secured or intended to be secured by an Indemnity, together with the provisions of any Indemnity itself, the will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under Indemnity:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or for loss of profits.
<u>Undertakings regarding Certain Mismatches</u>	
Avoidance of Mismatches	If a Financing Entity proposes to incur one or more funding obligations that would require the Financing Entity to pay an aggregate amount during any reference period that would exceed the amount otherwise available to the Financing Entity during the reference period from its investment interests to pay such amounts (a "**Mismatch**"), the Financing Entity will, before incurring such funding obligations, undertake commercially reasonable efforts to arrange for commitments from highly creditworthy, market-based funding sources in accordance with the Financing Plan to enable it to satisfy all of its related payment obligations and thereby avoid any Mismatch.

Possible Undertaking to Fund Mismatches	If a Financing Entity is unable to arrange for commitments from one or more highly creditworthy, market-based funding sources in accordance with the Financing Plan to avoid a Mismatch on commercially reasonable terms and conditions, the Minister of Energy and the Minister of Finance acting together may undertake on behalf of the Province of Ontario to provide funding commitments to the extent necessary to provide the Financing Entity with required funding to avoid the Mismatch. Any such undertaking may only be given at or before the incurrence of the funding obligation that would otherwise result in the Mismatch and would be on such terms and conditions, including appropriate compensation to the Province of Ontario, as the Minister of Energy and the Minister of Finance determine are reasonable and appropriate in the circumstances. The decision to provide such an undertaking will be in the sole discretion of the Minister of Energy and the Minister of Finance.
Documentation	
Representations, Terms and Conditions:	Subject to approval of the Minister of Energy and the Minister of Finance acting together.
FIPPA:	Acknowledgement that the Performance Guarantor and the Indemnitor will be bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Performance Guarantor or the Indemnitor, or any agent or representative of the Performance Guarantor or the Indemnitor, in connection with the transaction documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Confidentiality obligations of each Financing Entity and its assignees, representatives and agents as may be determined to be appropriate by the Minister of Energy and the Minister of Finance acting together.
Governing Law:	Province of Ontario.