

12922051-v1-Defeasance Scenario (OPG Trust).DOCX

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Attachments: 12922051-v1-Defeasance Scenario (OPG Trust).DOCX (25.38 kB)

Hi Cindy and Mark

Pls see attached from Stephen Ashbourne, re a proposal for if and when the Protection Agreement kicks in. Mike and Gadi have responded on some of the market considerations relating to this proposal but from an accounting perspective, John points out that the sole reference in PSAB to defeasance is in PS 3450:

046 Payment to a third party, including a trust (sometimes called "in-substance defeasance"), does not, by itself, relieve the debtor of its primary obligation to the creditor in the absence of legal release.

As such, this proposal should ensure a legal release of the Province from all debt incurred by the Financing Entity once the Protection Agreement kicks in allowing the Province to issue new off market debt with the same terms and conditions into what is termed the "defeasance account" by Stephen in the attached document.

In my opinion this complicates a more simple process whereby once the Protection Agreement kicks in the Province will assume the debt of the Financing Entity and fund it so that it can meet IOD and debt maturities. The former will be expensed by the Province, while the latter will most likely be funded by the Province through the issuance of debt in the open market.

Your thoughts are much appreciated.

Thanks

Ken k

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