

FW: Fair Hydro Plan - Provincial Support Agreement - Term Sheet <comments from TD>

From: Gadi Mayman <gadi.mayman@ofina.on.ca>
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Date: Fri, 28 Apr 2017 11:27:07 -0400
Attachments: Performance Servicing Guarantee Sample.pdf (188.5 kB); Servicing Obligations Summary.pdf (48.51 kB); Term Sheet - Provincial Support AgreementApr26 (2).docx (35.47 kB)

With the attachments from TD.

From: Carlos Yep
Sent: Friday, April 28, 2017 11:12 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Adam Prokop <Adam.Prokop@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; 'Kaitlin.Montgomery@ontario.ca' <Kaitlin.Montgomery@ontario.ca>
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Subject: FW: Fair Hydro Plan - Provincial Support Agreement - Term Sheet <comments from TD>

Fyi

From: Thompson, Susan [<mailto:Susan.Thompson@tdsecurities.com>]
Sent: Friday, April 28, 2017 10:40 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thom, Trevor <Trevor.Thom@tdsecurities.com>; Holloway, Harold <Harold.Holloway@tdsecurities.com>; Wolff, Michael <Michael.Wolff@tdsecurities.com>; Purkis, Brad <Brad.Purkis@tdsecurities.com>; Hilloowala, Maharukh <Maharukh.Hilloowala@tdsecurities.com>
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Mike, Jim, Carlos

Please see below for our comments on the draft term sheet for the Provincial Support Agreement. Let us know when you would like to discuss further. Also, please note that we have not sent the comments or the term sheet to Steve Ashbourne at Blakes. Please let us know if you would like us to do so.

Attached is a sample servicing guarantee for a general securitization transaction to provide examples of common features. Note that the sample guarantee is formatted for a corporate transaction and would have to be adjusted accordingly. Also attached is a brief description of the servicing obligations typically covered by a servicing guarantee.

In reviewing the term sheet, we believe that the Servicing Guarantee is narrow in scope.

- Not a conventional servicing guarantee for securitization transactions
- It may not be acceptable for the rating agencies, particularly if monthly remittances of collections from the LCDs are necessary.

As drafted, it solely allows for the appointment of a replacement servicer by the Guarantor upon the

occurrence of a Servicer Default (due to breach of servicing performance).

- It does not cover any losses arising from a breach of the electricity vendors' servicing obligations (typical servicing obligations described in attachment)
- It would preclude the monthly remittance of collections by the LDS to IESO for deposit into the Trust's collection account.

Other Items of Consideration:

- Not typical for the Indenture Trustee to be obligated to provide any reporting to the Guarantor
- Confidentiality would be difficult to maintain for a public issuance. The guarantee is a material component of the transaction and will have to be disclosed in detail in the IM , and possibly posted as a material contract
- Consistent with other "AAA" transactions, performance under the guarantee is expected to occur promptly, typically within 2 business days for payment obligations
- Guarantee does not cover a market disruption and the inability to refinance existing due and maturing issuances (including ABCP)

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