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

From: Gadi Mayman <gadi.mayman@ofina.on.ca>
To: "Yep, Carlos (OFA)" <carlos.yep@ofina.on.ca>, "Kandeepan, Ken (OFA)" <ken.kandeepan@ofina.on.ca>, John Psinas <john.psinas@ofina.on.ca>, "Kim, John (OFA)" <john.kim@ofina.on.ca>, Adam Prokop <adam.prokop@ofina.on.ca>, Bruno Amara <bruno.amara@ofina.on.ca>, "Montgomery, Kaitlin (MOF)" <kaitlin.montgomery@ontario.ca>
Cc: "Strathy, Anna (OFA)" <anna.strathy@ofina.on.ca>, "Manning, Mike (OFA)" <mike.manning@ofina.on.ca>, "Kwan, Ronald (OFA)" <ronald.kwan@ofina.on.ca>, "Nelms, Scott (MOF)" <scott.nelms@ontario.ca>, "Hughes, Karen (TBS)" <karen.hughes@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Fri, 28 Apr 2017 11:26:12 -0400

From the conversations that I've been involved with Blakes, Energy, TBS, OPG, etc., one of the challenges that they're trying to overcome is the perception of the banks providing advice to OPG that this is a securitization transaction, which, while it has many similarities, it is not. It seems that TD is also falling into this trap in their analysis, so it would be worthwhile to try to move them off of this perspective for their next round of advice on this, which will have to be in advance of next Tuesday morning when we'll be meeting with the Deputy and the Minister's office in advance of this item going to Fiscal Prep on Wednesday.

I understand where Susan and the TD team are going on this, but TD needs to take the Province's perspective on this, not come at it from the angle of how to structure this to make the financing as easy as possible. We will not, as many of you are aware from our previous discussions, provide anything except the skinniest possible guarantee that would make this financeable, while still ensuring that the appropriate accounting treatment is possible to be achieved.

Thanks,
Gadi

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>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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>

Subject: Fair Hydro Plan - Provincial Support Agreement - Term Sheet

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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